GOVERNMENT BRAIN DRAIN

HEARING
BEFORE THE
SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES
OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
NINETY-SEVENTH CONGRESS

FIRST SESSION

SEPTEMBER 14, 1981

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GOVERNMENT BRAIN DRAIN

MONDAY, SEPTEMBER 14, 1981

U.S. SENATE,
SUBCOMMITTEE ON CIVIL SERVICE,
POST OFFICE, AND GENERAL SERVICES,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room 3302, Dirksen Senate Office Building, Hon. Ted Stevens (chairman of the subcommittee) presiding.

Present: Senators Stevens and Eagleton.

Staff present: Wayne A. Schley, staff director; Jamie Cowen, chief counsel; J. Knox Walkup, minority staff director; Pat Halcomb, chief clerk; and Margaret Sims, professional staff member.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Let me call the hearing to order.

We are holding a hearing on what recent press reports have termed "The Government Brain Drain." We wish to explore the existence and the extent of this exodus of Government managers.

Unquestionably, the issue of the pay cap on the senior executives will be the focus of much of the testimony.

To begin the testimony this morning, I wish to introduce into the record at the close of my remarks letters from various Federal agencies detailing some of the problems they have been having recruiting and retaining senior executives.

Pursuant to recent press reports on the existence of this problem, I requested numerous Federal agencies to detail their experiences. To emphasize the point, every agency responded that they were having serious problems recruiting and retaining senior executives. Every agency said that compensation was the central problem and that something had to be done.

For instance, the Chairman of the Board of the Tennessee Valley Authority stated:

> TVA has never been a revolving door agency; and its losses of top executives are losses without replacements, especially with today's frozen salary levels. This situation could not come at a worse time. The consumers of TVA power will ultimately bear the consequences.

I might add that TVA supplied us with numerous examples of losses of people in their executive area.

The Securities and Exchange Commission recently issued numerous nationwide solicitations for personnel. Only three solicitations attracted applicants from the private sector. In one case, the selectee was forced to take a $95,000 annual pay cut; another suffered a $75,000 cut in pay; and the third took a reduction of $16,000.

Quoting from the Chairman of the Commission:

> While realistically salaries of senior public officials will never compare favorably with those of senior executives in the private sector, it must be recognized that when the disparity becomes as great as it has, Government service becomes not only less attractive to many but unfeasible for most.
>
> Ultimately, the Government will have to rely on executives who are rejected by the private sector or executives who are capable of "subsidizing" their employment.

I have had numerous letters from all the agencies delineating the same or similar problems that I have just read. I wish to also include in the record at the close of my remarks six letters from various private-sector institutions from which the Department of the Army was attempting to recruit people for highly technical positions in the Department.

These letters are from places like MIT, Hughes Aircraft, ITT, and other well-known private-sector institutions. All of the letters indicated that they could submit no names for the Department's vacancies due to the fact that the rate of compensation was unrealistic.

I also wish to introduce into the record following these letters, copies of news articles that have discussed these problems over the last year. These include articles from Time Magazine, U.S. News & World Report, Newsweek, the Wall Street Journal, Washington Post, and numerous other news services.

Finally, let me state that I believe we have a crisis on our hands. This country is facing its most serious economic difficulties in 50 years. To transform this situation, we need creativity, ingenuity, and just plain hard work on the part of our public servants. To lose the expertise needed to accomplish these goals at this time could spell disaster for this country's recovery. I believe that something must be done today. I look forward to hearing from our witnesses.

[The material referred to follows:]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

September 29 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
  Post Office, and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter of July 31, 1981, requesting information and comments concerning problems in this Department with the recruitment and retention of top level executives due to inadequate pay.

The executive pay ceiling is a subject on which we provided information for the House Committee on Post Office and Civil Service, the Commission on Executive, Legislative and Judicial Salaries (the "quadrennial pay commission") and for the Office of Personnel Management's (OPM) studies and testimony on the problem. The comments and information we provided are included in the following:

The Recruitment of Executives

We have no documented evidence that the pay situation is a major consideration in qualified persons not applying when we advertise a Senior Executive Service (SES) position within government (civil servicewide). In this Department, governmentwide recruitment efforts have generally produced a sufficient, although not large, number of candidates. However, it is reasonable to assume that the pay ceiling with dim prospects for any substantial relief in the near future is a serious consideration when an individual is contemplating not only the rewards of promotion but the down side of added responsibility and risks of the SES. Certainly the quality of applicants may suffer.

Personnel officers within USDA have reported that their employees have verbally expressed their reluctance to apply for SES positions, most of which would require a relocation to the Washington Metropolitan Area. The new positions offer little or no pay increase, certainly insufficient to offset cost-of-living differentials and higher interest rates encountered in a move to a metropolitan center. A large portion of our grade GS-15 work force is at, or near, the pay ceiling. For example, in the Forest Service, 62 percent (128) of the grade GS-15 employees are at the pay ceiling. These are the employees who generally represent the best qualified for our SES positions. These employees have little incentive to take on added responsibility and risks.

In recruiting outside government, we have already experienced problems. In the recent process of recruiting for an Assistant Regional Administrator for Agricultural Research in our Science and Education Administration, we found that several well-qualified candidates from outside the Federal Government were not interested because of the pay ceiling. In attempting to fill the position of Director, Human Nutrition Center in Houston, Texas, we found that we could not attract the well qualified outside candidates who were making over $70,000 per annum. We are continually having problems filling veterinary pathologist and chemical engineer positions at the GS-16 and above level because comparable jobs in the private sector pay over $60,000 per annum. The Food and Nutrition Service has been unable to recruit from private industry because they cannot match the salaries. Consequently, all of its outside recruitment is from State governments where salaries are generally lower. The Department is definitely at a competitive disadvantage with the private sector in the search for top executive talent.

The Retention of Executives

USDA executives have let us know that the lack of prospects for adequate pay increases was a prime factor in their decision to retire. It is obvious that as a person reaches eligibility to retire an assessment is made of the situation. Any assessment must include the monetary rewards of staying as opposed to retiring. Many feel that the executives are the forgotten federal employees when it comes to compensation. Federal executives have practically none of the perks enjoyed by their colleagues in the private sector. The ceiling, which has existed for three years, has resulted in their standard of living decreasing as a result of inflation so it is barely above or equal to those they supervise. The costs of working continue upward. Retirement to a lower cost area frequently offers a higher living standard without the responsibilities of work. When factors like these enter into the assessment, there is a strong impetus to retire.

Thus, we have reports that recent retirees have expressed that retirement pay, plus the cost-of-living increases for retirees and other employment opportunities, offered much more advantage than a frozen pay scale. A total of 56 SES members have elected optional retirement since the $50,112.50 pay ceiling began in the top SES pay rates in October 1979. The fact that after the ceiling began, 27 of our SES members elected optional retirement (18 during the month of February 1980) before the next cost-of-living increase for retirees on March 1, 1980, shows that income impacts on their decision to retire.

Recent examples are an agency Administrator and Senior Economist in USDA who retired and accepted a better paying position in the private sector. A career Deputy Assistant Secretary resigned at 40 years of age, and an agency Associate Administrator and Deputy Administrator resigned for the more lucrative opportunities in the private sector.

We have many cases where Senior Executives have taken voluntary downgrades to GS-15 positions either to relocate to a lower cost-of-living area or to take a position of less responsibility at the same pay. We have had six such cases in the Soil Conservation Service alone and several more USDA-wide.

Because of the current pay ceiling there are situations in this Department where employees (SES and GS-15) at seven levels of an organization are all receiving the same pay, although their responsibilities differ greatly. This results in serious morale problems and contributes to decisions to retire or not seek additional responsibilities through promotion.

Steps Taken to Address the Problems

When necessary, agencies have readvertised, expanded the area of consideration, and/or concentrated their recruitment on target areas most likely to produce results. Meanwhile, our SES Candidate Development Program for those in grade GS-15, and agency Management Development Programs for those in grades GS-13, 14, and 15, alleviate the problem somewhat by developing, internally, employees who are interested in future SES appointments.

There is really very little that we can do to retain our top executives. The pay ceiling, Congressional and OPM limitations on bonuses, and a limited number of really "choice" assignments leave very little to offer executives to retain their services. Some career SES members in this Department have remained in their positions beyond their optional retirement date, despite the income limitations, because of a sense of dedication to their work and to the Department. But, we cannot assure that this fact will remain if executive pay and pay compression become more of a problem and thus, more of a factor in career decisions.

We appreciate this opportunity to provide you this information on our problems with the executive pay ceiling. If you need any further information on this matter, please let me know.

Sincerely,

John R. Block
Secretary

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 25 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service
and General Services
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Thank you for your letter concerning problems the Department of Commerce (DOC) may be experiencing in recruiting and retaining top-level executives.

I appreciate the value of managerial talent and what it costs to find and keep it. When I was designated Secretary of Commerce, I requested information on the compensation package available to Federal executives. I was not pleased with the many limitations.

There has been a considerable decrease in the number of qualified GS-15 employees applying for our Senior Executive Service (SES) vacancies. An executive recruitment effort took place several weeks before the most recent pay cap was installed. A total of 15 GS-15 DOC employees applied for the SES position. Immediately after the installation of the pay cap, 11 of the GS-15 employees withdrew their applications. These individuals were unwilling to assume a position of higher level responsibilities without a corresponding increase in compensation.

The DOC is attempting to recruit and retain senior executives by using existing compensation tools and emphasizing the non-monetary benefits of public service. We recognize high achievers with rank awards, bonuses and incentive awards. The government must compensate highly qualified executives in order to attract and retain them. We may not achieve our expectations unless some real monetary incentive is provided.

Sincerely,

Secretary of Commerce

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D.C. 20301

MANPOWER
RESERVE AFFAIRS
AND LOGISTICS

[illegible] 981

Honorable Ted Stevens
Chairman, Subcommittee on Civil
 Service, Post Office and General
 Services
Committee on Government Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in further reply to your letter of July 31, 1981, to the Secretary of Defense in which you requested information regarding problems of recruiting and retaining senior executives.

Recruitment and retention of senior executives are matters of major concern throughout the Department of Defense. As both executive salaries in the private sector and the cost of living continue to rise, while salaries for our senior executives remain unchanged, the situation becomes worse. As an illustration, since 1969, the Consumer Price Index has increased 141% and the Hourly Earnings Index has increased 132%, yet our senior executives have received pay increases of only 43%. Since March of 1977, the pay limitation imposed on our senior executives by 5 U.S.C. 5308 has increased only 5½%, while the cost of living has increased over 47%. As a result, we are now losing senior executives through retirements and resignations at an abnormally high rate and are finding it extremely difficult to attract quality replacements.

As requested in your letter, we are providing in the attachment examples of recruitment and retention problems. These examples are indicative of the types of problems being encountered and represent only a portion of the volume of such cases. We have also attached a copy of a letter which was sent to the Office of Personnel Management last year in connection with the quadrennial review of executive salaries; we believe its observations are still valid.

Your interest in this matter and the opportunity to provide you with this information are appreciated.

Sincerely,

Lawrence J Korb

Lawrence J. Korb
Assistant Secretary of Defense
(Manpower, Reserve Affairs & Logistics)

Attachments

Attachment 1

Examples of Senior Executive Recruitment and Retention Problems

Office of the Secretary of Defense & Defense Agencies

1. Separations from the Senior Executive Service during calendar year 1981 have been at an annual rate of 18.85%. During calendar year 1980, the annual rate was approximately 20%.

2. Since the inception of the Senior Executive Service, separating individuals have cited on official documents a financial motivation for leaving, as follows:

- A 47-year-old career executive who worked for the Deputy Under Secretary of Defense for Policy cited "need money to put children through college" as a reason for leaving.

- A promising 42-year-old scientist manager cited "financial limitation (pay cap)."

- Another scientist manager in his forties stated that he was leaving for the "opportunity to ... make more money."

- A promising 39-year-old official left to accept a position in industry at "substantially increased pay."

- A 43-year-old scientist cited "a substantial salary increase that is not possible within the Senior Executive Service" as his reason.

3. In addition to those who have stated in writing their reasons for leaving the servicing civilian personnel office is also aware of the following separations for compensation reasons:

- A high level official in the critical area of undersea surveillance has announced that the reason for his acceptance of a position with industry was the significant loss of real income that he has suffered over the last few years as a federal employee. He stated that his reasons for leaving "are strictly financial."

- Significantly more money was also informally reported as the reason two high level advanced research managers left DoD for employment with TRW and COMSAT, that eight officials moved to private industry, and that two officials went into private practice of law.

4. The following are examples of recent recruiting problems:

- A selectee for the position of Assistant to the Secretary of Defense (Atomic Energy)/Chairman, Military Liaison Committee was interviewed and declined the offer because of the pay cap.

- A selectee for the position of Deputy Under Secretary of Defense (International Programs and Technology) declined because of the pay cap.

- A selectee for the position of Deputy Under Secretary of Defense (AM) declined because of the pay cap.

- The position of Staff Specialist for Propulsion in the Office of Engineering Technology had to be advertised a second time because there were no qualified applicants the first time.

Department of the Army

1. The following are examples of declinations and resignations directly related to pay:

- The selection for the position of Assistant Director for Maintenance Management, Office of the Deputy Chief of Staff for Logistics, Washington, D.C., was made on 12 March 1980. The selectee's qualifications were approved by an Office of Personnel Management (OPM) Qualifications Review Board (QRB) on 13 March 1980. The selectee subsequently notified the selecting official that due to the high cost of housing in the Washington metropolitan area, he was declining the position.

- The selection for the position of Director, Study Management Program, Office of the Chief of Staff, Army, Washington D.C., was made on 12 May 1980. OPM's QRB approved the selectee's qualifications on 18 June 1980. On 23 June 1980, the selectee declined to accept a position in private industry with better pay.

- The selection for the position of Army Spectrum Manager, Office of Assistant Chief of Staff for Automation and Communication, Washington, D.C., was made on 8 January 1981. The selectee's managerial qualifications were approved by OPM on 26 March 1981. On 3 April 1981, the selectee notified the servicing personnel office of his declination for a combination of reasons including the Congressional continuation of the pay cap and a stronger counter offer from his present employer which made it financially impossible to accept the offer.

- The Director, Data Processing Directorate, Ballistic Missile Defense Advance Technology Center, Huntsville, Alabama, resigned on 27 February 1981 to accept employment in the private sector. He stated telephonically that he was offered an initial salary increase of 30% and much better incentives. He also stated that raising the pay cap and imposing fewer restrictions on incentives would have had a definite bearing on his decision to remain with the Federal Government.

2. In efforts to fill vacant scientific and engineering senior executive positions, numerous companies in the private sector were contacted to solicit applications from interested employees. Attached are samples of the typical letters of response from those companies.

Department of the Navy

1. Prior to July of 1979, the Department of the Navy had an average annual attrition rate of 7% at the senior executive level. Since July of 1979, the attrition rate at this level has been approximately 20%.

2. Four SES positions were filled at Office of Naval Research headquarters during 1980. Recruiting costs for these positions totalled just over $80,000. Of the 28 applicants who were considered best qualified, only 6 were from outside government.

3. A GS-15 position at the Naval Ocean Research and Development Agency was advertised in 1976, and there were approximately 100 qualified applicants, one-third of whom were from outside government. The same position was recently advertised again. There were only 9 qualified applicants, with only one of these from outside government.

4. The Navy Secretariat recently lost a top attorney to the private sector for nearly twice the salary he was earning as a member of the Senior Executive Service.

5. The Deputy Comptroller of the Navy recently was unable to attract his first choice for a top financial job when he could not match the pay increase offered by the candidate's current employer.

Department of the Air Force

1. At the Air Force Accounting and Finance Center, only one of eight senior GS-15 employees applied for a Senior Executive Service position which was recently advertised.

2. The Principal Deputy Assistant Secretary of the Air Force for Research, Development and Logistics recently resigned after only about one year in the job, to work for ITEK Corporation at a substantially higher salary.

3. A recent selectee for the position of Deputy Assistant Secretary for Systems declined the position because the personal cost of relocating from California to Washington was anticipated to be too great in light of almost no possibility of a pay increase in the foreseeable future.

4. A Deputy Assistant Secretary in the research and development area resigned and is now working for Sperry Corporation at about twice his Air Force salary. The position has remained vacant because a suitable replacement cannot be found.

5. Last year, a candidate development program for the Senior Executive Service was announced. Of 935 Air Force employees at the GS-15 level, only 196 (21%) applied for the program. Those who applied generally were not considered by the top functional managers the best qualified for entry into the Senior Executive Service.

DEPARTMENT OF THE ARMY
UNITED STATES ARMY MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35898

DRSMI-JPS

16 Mar 1981

SUBJECT: Transmittal of OPM Form 1390

HQDA (DAPE-CPZ-BE)
Washington, DC 20310

Attached is the required form on Mr. Charles R. Vick, Ballistic Missile Defense Advanced Technology Center, Huntsville, Alabama, who resigned effective 27 February 1981.

FOR THE COMMANDER:

Luther F. Adams
LUTHER F. ADAMS
Civilian Personnel Officer

1 Incl
as

MFR:
Per telecon w/Mr. Vick: Salary had a significant impact on my decision because I was offered approximately a 30% increase and much better incentives. If the pay cap had been lifted it would have had a definite bearing on my decision to leave DoD.

S. ASH

AN EQUAL OPPORTUNITY EMPLOYER

Rec'd 3/24/81
AF

April 3, 1981

Army Staff Civilian Personnel Office
Recruitment and Placement Branch
Room 1A909, The Pentagon
Washington, DC 20310

Attn: Mr. Benedict Millazzo

Gentlemen:

I was very pleased and honored to receive your letter of 30 March confirming my selection as the Army Spectrum Manager.

I regret that I must decline this appointment. The combination of Congress' continuation of the pay cap at $50,112.50, the dim prospect for future increases in salary with the cap in force and a strong counter - offer from my present employer makes it financially impossible for me to accept.

I forego this opportunity with much regret. My interview with General Buckingham and Mr. Zimmerman convinced me that the job would have been challenging and rewarding with excellent support from my superiors. I also personally know the staff of the Army Spectrum Manager's office and would have welcomed the opportunity to work with Bob, Paul and Helen.

I appreciate the time and effort that all concerned expended on my behalf and sincerely wish the financial situation could have been such that I could have accepted.

Sincerely,

James Chadwick
D. J. Chadwick

HUGHES AIRCRAFT COMPANY
CULVER CITY, CALIFORNIA 90230

JOHN L. McDANIEL
SENIOR CONSULTANT

17 February 1981

Mr. Robert S. Wiseman
Assistant Deputy for Science
and Technology
Department of the Army
Headquarters US Army Materiel
Development and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Bob:

I am enclosing a resume of Col. E. P. Eaton, Jr. Ret. for consideration to fill the position of Scientific Advisor (Logistics Combat Development), US Army Logistics Center, Ft. Lee, VA. I do not know Col. Eaton personally however, I have great confidence in the thoughts of Mr. Joe Garafalo of Hughes Aircraft Company. I would recommend that Col. Eaton be considered for the position.

I have made a number of contacts with personnel in industry regarding this position, as well as other positions. In all cases, I find that the person who could do the job cannot afford to leave industry and come to work for government for salary reasons. Therefore, I believe that the positions will have to be filled from within government. There are a lot of advantages to filling the position from within government; however, the option to fill from industry should be available to you. I believe the only solution is to work to have the salaries of the top people increased to be compatible with people in industry with commensurate responsibilities.

I appreciate you sending me the announcements and I will continue to work to try to find qualified personnel.

Sincerely,

John L. McDaniel

25 FEB 1981

Enclosure

Orig: Mr Sykes

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
LINCOLN LABORATORY
LEXINGTON, MASSACHUSETTS 02173

Area Code 617
862-5500

6 January 1981

Dr. Robert S. Wiseman
Assistant Deputy for Science
and Technology
Department of the Army
Headquarters U.S. Army Materiel
Development and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Dr. Wiseman:

The requirements the position described in the vacancy announcement are inconsistent with the actual salary available. All of the candidates I have considered for the position whom I feel are qualified would have to make a considerable sacrifice of income and, in addition, move to a high cost of living area.

Accordingly I do not feel free to submit nominations for this or similar government positions until the Congress takes some sensible actions about salaries for our Senior Executive Service.

Sincerely,

Jerome Freedman

Jerome Freedman
Assistant Director

JF:rl

Recd: 14 Jan 81
cc: Mr Sykes

Dynetics, Inc.

17 February 1981

Department of the Army
Headquarters U.S. Army Materiel
Development and Readiness Command
ATTN: Robert S. Wiseman, Assistant Deputy
for Science and Technology
5001 Eisenhower Avenue
Alexandria, VA 22333

Dear Mr. Wiseman:

I appreciate the opportunity to recommend candidates for the position of Director, Discrimination Directorate, Ballistic Missile Defense Advanced Technology Center (BMDATC), Huntsville, Alabama. The vacancy announcement that accompanied your letter reflects the high standards of technical excellence and managerial capabilities that the candidates must possess. It is my opinion that certain individuals within BMDATC and in private industry might provide the executive management expertise required to assure successful completion of major programs and studies.

When I view these individuals as a group, two important factors concerning the salary range become apparent. First, those individuals presently within BMDATC who might be eligible for this position are probably already within the salary range so that promotion would only increase their responsibilities and workload. Second, those candidates in the private sector who meet the qualifications have attained high-level executive positions that probably entail a better benefit program and a slightly higher annual salary. I am then forced to the conclusion that recommending an individual for the position would not be prudent unless some modification to the statute that limits the maximum salary is being contemplated.

Again, I appreciate the opportunity to reply to your letter.

Sincerely,

DYNETICS, INC.

S.M. Gilbert

S. M. Gilbert, Ph.D.
Senior Vice-President

SMG/lkb

25 FEB [illegible]

Orig- Mr. Syk—,

P. O. DRAWER B • HUNTSVILLE, ALABAMA 35805 • PHONE (205) 837-9230
AN EQUAL OPPORTUNITY EMPLOYER

SANDERS ASSOCIATES, INC.

CORPORATE HEADQUARTERS
Daniel Webster Highway, South, Nashua, N H 03061
TWX 710 228-1894
Telex 094-3430
Telephone (603) 885- 5640

RWB:s/SO-235

November 5, 1980

Mr. Robert S. Wiseman
Assistant Deputy for Science and
Technology
Department of the Army
Headquarters U. S. Army
Materiel Development & Readiness Command
5001 Eisenhower Avenue
Alexandria, VA 22333

Dear Mr. Wiseman:

Your letter to Mr. Jack Bowers, President, requesting potential candidates for the position of Technical Director, US Army Electronics Research and Development Command, has been reviewed with several members of our senior management, and Mr. Bowers has asked that I reply.

We have made several efforts for other commands trying to find senior technical people who might accept senior executive positions in the Washington area. Trying to find a person with the high level of competency requested to take a position for $50K in the Washington area, and its high cost of living, has been very difficult. Unfortunately, we are unable to provide you with the names of any candidates for this position.

Sincerely yours,

Roger W Brown

Roger W. Brown
Corporate Director
Industrial Relations

Recd: 10 Nov
Orig-to Mr. Sykes

Magnavox
GOVERNMENT AND INDUSTRIAL ELECTRONICS COMPANY
ELECTRO-OPTICAL SYSTEMS
46 INDUSTRIAL AVENUE
MAHWAH, NEW JERSEY 07430

DONALD J LOOFT
VICE PRESIDENT AND
GENERAL MANAGER

(201) 529-1700

3 March 1981

Dr. R. Wiseman
Department of the Army
Hqs., U. S. Army Materiel Development
  and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Dr. Wiseman:

In response to your 25 February 1981 requests, I regret I know of no candidates from the private sector whom I would consider minimally qualified and who might be available as nominees for the following positions:

1. Director, Research and Technology Division, Harry Diamond Laboratories (Vacancy Announcement DA 25-81).
2. Deputy Director, Combat Surveillance and Target Acquisition Laboratory, ERADCOM (Vacancy Announcement DA 18-81).

I'm sure you're well aware that engineers and scientists who have requisite educational and experience background for these high level positions are in great demand. The private sector consistently offers substantially better compensation packages, relocation allowances and other benefits than does the federal service, and does not require extensive personal employment and financial disclosures. It is unfortunate, but clearly it is true, that for these reasons the Government service at this time does not offer competitive opportunities.

[illegible]:MTD

Orig. Mr. Sykes

Telecommunications and Electronics
Group – North America

A Division of International
Telephone and Telegraph Corporation

7821 Orion Avenue, P.O. Box 7713
Van Nuys, California 91409
(213) 908-2600

November 3, 1980

Mr. Robert S. Wiseman
Assistant Deputy for
Science and Technology
Department of the Army
Headquarters US Army Materiel
Development and Readiness Command
5001 Eisenhower Ave.
Alexandria, VA 22333

Dear Mr. Wiseman:

Mr. Souveroff has asked me to respond to your letter dated 16 October 1980 regarding engineers and scientists positions available at the Senior Executive Service level throughout the Department of the Army. Regretfully we do not have any suggestions to meet this critical need. As I am sure you are aware, the aerospace industry in general is in need of qualified technical talent as well. This problem is particularly acute in the Los Angeles area which causes us, on this issue, to be in competition with the government.

I am sympathetic with your mission, particularly under the current salary freeze conditions and the postretirement conflict of interest statutes. Unfortunately, I think such poor legislation may cause the US government to be exposed to less than the best candidates at a time when the US DOD is in need of the finest talent available. Through our industry associations we are making our thoughts known on this subject to the legislature and I hope we will see some improvements in the future.

We continue to remain proud and pleased with our relationships with the US Army Electronics Research and Development Command, and I am sorry we do not have any candidates at hand to suggest to you. On the other hand, should we be able to help you in any other way, please feel free to communicate with us in the future. We remain sympathetic to your cause and are anxious to help.

Sincerely,

V. L. Romiti
Vice President
Business Development

Rcvd.: 10 Nov
Orig - Mr. [illegible]
VLR:mtb

Attachment 2

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON D.C. 20301

MANPOWER
RESERVE AFFAIRS
AND LOGISTICS

OCT 10 1980

Dr. Alan K. Campbell
Director
Office of Personnel Management
19th & E Streets, N.W.
Washington, D.C. 20415

Dear Scotty:

This is in response to your memorandum concerning the quadrennial review of executive salaries and request for information on the current pay situation for top executive branch jobs. Because of the very short time provided for response, we were unable to obtain too much hard data. With a more realistic timeframe, we would be able to query the field in order to retrieve more specific data to buttress the arguments.

We have keyed the responses to the paragraph numbers in your memorandum:

(1) Recruitment

The salary cap and the dismal prognostication for salary increases have created critical difficulties in filling upper level positions. Few well-qualified candidates are even attracted because an SES-level executive can work for a Federal contract research center or for industry at a salary at least 20% greater than the top SES rate. One Defense agency has been unable to find a qualified executive to fill its top aerospace systems position. The one individual who was qualified for the position turned the position down on the basis that the pay was not even comparable to his current pay and his future increases in industry. Again, for pay reasons, the Office of the General Counsel has been unable to compete with the Washington law firms for attorneys because the law firms are offering as much as $54,000 for lawyers who are only five years out of law school. In just the past year two promising attorneys, otherwise interested in positions with the organization, declined those positions during discussions of pay and pay increases. The so-called "noble motives" and "psychic components" that attract top-notch persons to Federal service appear to be drying up in the face of industry's salary and fringe benefit packages. One organization, which by rights should recruit from the vice-president level in industry, reported that recruitment for senior positions from among senior-level executives in industry is just about impossible because the government compensation package is noncompetitive with industry's. Since July 1979 in another Defense organization, 26 SES positions were filled by candidates from sources other than current SES members (reassignment/transfer) and of those 26 only two recent selections were from outside the Federal sector. Since May 1980 recruitment has been extended to those individuals outside the Federal sector (all sources) due to the insufficient numbers of qualified candidates, but still only a very small number of applications from outside were received. One individual recently selected from outside the Federal sector declined a definite offer of an SES position after approval by OPM to accept a position in private industry at a higher rate of pay.

(2) Retention

The retention of executives is a problem of major proportions. When a system exists that limits pay and diminishes benefits for active service versus allowable retirement income and benefits, retention problems are bound to occur. However, rather than attempting to redress the active service compensation deficiencies, recent policies and thrusts have instead been aimed at limiting and reducing retirement benefits, such as attempts to eliminate one COLA "kicker", etc. Regardless of the merit of such proposals, they tend to contribute to perceptions of instability in the entire compensation program and this leads to the decision to retire at the earliest possible date.

Continuation of pay caps is highly likely to have an adverse effect on retention of high quality senior executives. One only needs to look back over the past two years to see the impact caps can have on an executive's decision to retire or to remain in service during some of his most productive years. For example, one Air Force executive faced with this decision in October 1978, elected to stay on for a few more years. In retrospect, this worked to his financial disadvantage. Had he retired then, his annuity would have been $22,522. With the four subsequent cost of living increases, it would now be $28,522, a 26.8% increase. When considering retirement today, he is faced with the prospect of receiving an annuity of just $27,764 (assuming the look-back provision of the present retirement law is repealed) a reduction of several hundred dollars over what he would now be receiving if he opted for retirement in 1978. During this same period, his salary increased by only 5.5% while other General Schedule adjustments were in excess of 21%. We are certain that given these statistics, Air Force senior executives' decisions to retire or stay on, are greatly influenced in favor of retirement when they are eligible because they see no relief based on what's happened during the past two years. Currently 10% of our Air Force senior executives are in this position. Certainly these considerations played a major role in the decision of the 60 Air Force senior executives who have retired in the past 15 months. This represents a turnover rate of 30%.

One of the components provided the example of a GS-15, step five who retired six years ago with 32 years service who will have received roughly $17,000 in annuity increases. If he/she had elected not to retire, he/she would have received only $14,200 in comparability increases. Furthermore, the active employee would be paying seven percent each year out of his/her salary for retirement. The difference does not take into account six years of non-federal salary the retiree could earn over and above the annuity during these six years.

As another example, the top civilian in one of the Defense agencies retired during the past year because of the pay cap and is now working for an organization which offered him a starting salary at more than $60,000. Citing the same reason, another executive from the same agency recently retired and received similarly high starting pay from industry.

The combination of inflation, the expenses of families with college-age children, a frozen high-three average, the financial benefits of retirement, and the dissatisfaction with executive pay, has almost forced executives to retire. Specifically, one third of 38 retirement eligible SES members in the Office of the Secretary of Defense retired at the end of August for compensation reasons. In just the Office of the General Counsel, 12.5% of the attorneys have retired since January. And two thirds of one of the Defense agencies retired in FY 1980 because they could no longer afford to work for the Federal government.

During the first eight months of 1980 over 50 SES members in Department of the Army retired largely as a result of eroding benefits, the continuing pay cap, and the removal of much of management's authority for rewarding SES members. Recent proposed legislation affecting Civil Service retirement benefits was the main contributor to Army's losses in July and August. SES members, in many instances, specifically stated that they were seeking better paying positions in private industry or that their retirement was based on the potential decrease in the amount of annuity and the eroding benefits.

The Air Force started CY 1980 with 174 SES members. During the year, not yet completed, they have already had turnover of 31 people, or 18%. When we contrast this with a normal anticipated attrition rate of 6-10%, we find that not only is it inordinate, but it is also unacceptable. No corporate entity can survive, much less operate smoothly, in an environment fraught with such chaos and discontinuity as this produces.

The Air Force Systems Command, with the nation's research and development responsibility for tactical and strategic aircraft as well as other weapons systems, now has 30 of its 103 SES positions vacant. Since many of these are one-of-a-kind research positions, it is reasonable to anticipate that our national defense posture will be seriously damaged by an almost 30% deficit in Air Force's SES research management capability.

(3) Mobility

Current executive pay scales undoubtedly have a negative effect on mobility of both executives and lower graded employees seeking promotions to executive positions which require geographical relocation. In today's inflated economy, any geographical relocation places extremely heavy cost burdens on the individuals and families involved. With salaries frozen, there is no opportunity for individuals to offset these heavy costs by a small or no increase in salary.

The Office of the General Counsel reports that as for mobility, aside from reluctance of attorneys to accept geographical relocation, they have been unable to recruit within the Washington area from lower to higher levels which involve any change in subject-matter and fresh effort because there is no salary incentive.

The Defense Contract Audit Agency recently had a very highly qualified Deputy Regional Director decline promotion to a SES Regional Director position requiring geographic relocation because the increase in executive pay would not offset the unreimbursed cost of moving. The Defense Mapping Agency (DMA) reports that although significant efforts have been made to attract GS-15's outside Washington to SES positions in Washington they have refused those positions because their GS-15 pay equals or exceeds the pay they can be offered here. An income that is quite comfortable outside Washington, will not secure that same high standard in Washington. DMA's experience has been that mobility within the agency is sometimes accomplished but that mobility between agencies has not occurred and is perceived to be mythical.

Another illustration of this problem is from the research area where technical excellence is especially important. In response to the recent advertisement to fill the position of Staff Specialist for Test Resources, GS-801-15, only one application was received from outside the Washington area. There are several hundred civilians among the Military Department Test Facilities who would qualify for this position. Follow-up discussions with key military department people revealed a widespread lack of interest in moving to the Washington area because of the high living cost coupled with the limited opportunity for adequate financial compensation.

With the rate of inflation increasing at double digit levels during 1979 and 1980, decisions of high potential GS-15 employees to compete for SES positions are likely to be based more on economic realities than career enhancement considerations. Pay caps now extend well down into the ranks (Step 5) of the GS-15 population, with 661 Air Force GS-15s or 75.6% of that population affected. It is unrealistic to expect these employees to seek or accept more responsible SES assignments requiring expensive relocations without any monetary benefit. A recent United States Air Force Economic Impact study showed that 70% of those surveyed indicated a reluctance to make a PCS move at this time. The number one major contributor for such reluctance was increasing mortgage interest rates. Disruption to personal finances was also cited as a major reason for not accepting a PCS move. We would hope the review now in progress will result in some relief to this problem.

(4) Morale and Performance of Executives

In addition to pay caps, recent legislative and administrative actions to limit SES bonus payments have, and will continue to have, a deleterious effect on the morale and performance of executives. These actions are viewed by many executives as an unconscionable breach of contract and greatly dilute the credibility of the provisions of the Civil Service Reform Act. Strong positions in opposition to these recent actions have already been registered to OPM and Members of Congress by executive professional associations like the Federal Executive League. It is suggested that the Quadrennial Commission be provided copies of the statements from these associations as well as the GAO statements.

There is something wrong with the executive pay system in which the pay of the Director of a Defense Agency is limited to $50,112.50, the same as most of his SES subordinates. But pay compression is a real problem throughout the organization. For example, because the pay of the General Schedule is increasing at a faster rate than that of the Executive Schedule, a number of GS-14's and GS-15's throughout the organization will be earning more than ES-1 superiors. Since eliminating the use of ES-1 level in the OSD and the Defense components is neither realistic nor responsible, a basically inequitable situation will continue to exist.

A further point should be made that with the latest pay chart the "paper rate" had dropped from $65,750 to $58,500 for GS-18. OPM stated that this was a conscious decision by the administration to be more realistic. The point is that a simple administrative action like that serves, in the view of the executives, to depreciate the value of their work.

We don't believe that the performance of the executives has been materially influenced. If executives are very unhappy, they leave. If they aren't, they stay and work according to the high internalized standards that have governed their careers.

(5) Overall Effectiveness

The overall effectiveness of the management of this organization has continued to be of the highest order despite the shifting sands of executive pay. The members of the executive corps of this organization are dedicated people who are motivated by their sense of professionalism. At some point, however, we will see the effects of the increasing difficulty in attracting and retaining top-level people. The tragedy of this is that we run the danger of supplanting excellence with adequacy as the characterization of the organization's management.

The potential harm can be seen in the reports of two components. Since September 1979, the Office of the Assistant General Counsel for International and Investigative Programs lost seven out of its eight attorneys. Such a loss of continuity and organizational knowledge obviously takes its toll; and one Defense Agency reported an almost complete turnover in the Agency's executive group in FY 1980.

The severity of the turnover in these organizations is not typical, but it is indicative of the kind of problem with which we are dealing.

We appreciate the opportunity to provide this information for the use of the Quadrennial Commission. If we can provide you with additional data or support in dealing with the problem of executive pay, please let us know.

Sincerely,

WILLIAM C. VALDES
Deputy Assistant Secretary of Defense
(Civilian Personnel Policy)

THE SECRETARY
WASHINGTON, D.C. 20202

SEP 8 1981

The Honorable Ted Stevens
Chairman
Subcommittee on Civil Service,
  Post Office, and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Stevens:

This is in response to your letter of July 31 which requested information on the impact of the executive pay situation on the recruitment and retention of executives.

Since the Education Department was established only in May 1980, our experience cannot be considered a true reflection of the impact of the pay limitations. The pay limitations have indeed hindered our recruitment efforts for Executive Level and key non-career SES appointees. We have been fortunate in being able to attract a high quality of appointees, however, even in the face of pay limitations and the problems associated with recruitment during a change in presidential administration.

Because of the limited period we have to assess, it is not possible to respond based on concrete experience. Although not technically a pay rate matter, the recent reduction in the number of Career SES members who will be eligible for bonuses has had a negative impact on morale among the career ranks. This limitation combined with the pay level compression will affect our ability to attract Career SES members to top executive posts.

Although our circumstances do not allow for a detailed response, we do recognize that the executive pay limitations may present problems to this Department in the future.

Sincerely,

T. H. Bell

Department of Energy
Washington, D.C. 20585

AUG 2 1 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
  Post Office and General Service
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your recent letter to Secretary Edwards, requesting information on possible problems that the Department of Energy may be experiencing in recruiting or retaining senior executives due to inadequate pay

Since March 1977, the pay level ceiling for level V of the Executive Schedule has increased by only 5.5 percent, and pay for senior executives up to this level has been frozen at $50,112.50 since October 1, 1979. According to Office of Personnel Management statistics, for the 12-month period ending January 1979, only 28 percent of those eligible Federal employees at GS-15 and "higher level" Senior Executive Service executives receiving salary at the frozen ceiling rate retired--for the 12-month period ending August 1980, 95 percent of eligible Federal employees in the same frozen salary rate retired.

Because many of the Department's Executive Schedule appointees leave positions where their salaries were many times greater than any Federal pay rate, serve for a short number of years, and return to higher paying private sector positions, Federal pay increases cannot be assumed to be a driving factor for recruitment or retention in those circumstances.

The majority of our new Senior Executive Service appointees, however, have come from lower level Federal positions. If we can assume that the potential for higher pay and performance bonuses and awards at least in part motivates career executives to accept the higher responsibilities of the Senior Executive Service, then the freeze on pay increases and reduced opportunity for bonuses has effectively destroyed such motivation.

In 1980, with the majority of the Senior Executive Service salaries compressed at the $50,112.50 payable level, there were 106 accessions in the Senior Executive Service at the Department and 107 separations. The turnover rate in our Senior Executive Service positions for 1980 was 18 percent. The degree to which the freeze on pay increases impacted these recruitment and retention statistics cannot be directly measured without surveying each affected individual. Several of our departing executives, however, have expressed considerable disenchantment with the system, stemming from their pay being frozen at a rate equal to their GS-15 subordinates, with "no light at the end of the tunnel."

Feedback from Departmental supervisors at the GS-15 and below grade levels indicates a strong reluctance to give up career tenure positions to apply for Senior Executive Service positions, which entail far greater responsibilities and less job protection, for no higher salary than they are currently receiving. The recent cancellation or modification of benefits by Congress has only added to their negative reaction to accepting an appointment at this higher level.

The freeze on executive salaries creates difficulties in competing with the private sector for talent, has contributed to the number of unfilled vacancies in key Departmental positions and has created morale problems among those in the compressed salary range of top executives who not only are paid at the same rate as their subordinates, but also are effectively denied the increase received by most other Federal employees that enable them to keep up at least partially with inflation and maintain some degree of comparability with positions in the private sector. Although some argue that there is no shortage of candidates for Senior Executive Service positions, the caliber of those candidates must also be considered, i.e., when we cannot compete with the total compensation packages offered by organizations in the private sector, are we to staff Federal positions only with those candidates who cannot successfully compete for higher paying private industry positions?

The Department is unable to take any steps to address recruitment and retention problems related to frozen pay, and is looking to Congress to rectify the situation with legislation that would allow salaries for top-level executives not only to maintain some relationship with inflation, but also encourage experienced executives to remain in Federal service. While there has been no study conducted, to our knowledge, on why attrition from the Senior Executive Service is not even greater, one major and probably overwhelming constraining force is the vesting of these executives in the civil service retirement system. As Congress considers the possibility of changing the indexing of the retirement system, the tilt becomes increasingly in favor of retiring as early as possible to preserve as much of the present benefits as possible. The Government cannot afford to lose its experienced senior executives the instant they become eligible for retirement, but that is occurring because the pay cap precludes them from enhancing their average high 3 years salary for annuity computation purposes and also prevents them from obtaining any relief from inflation as long as they remain employees. Clearly, retirement income downstream will be greater, by the earliest possible retirement by an executive, because of the currently unrestrained cost-of-living adjustment increases on annuities.

Pay has been frozen; opportunities for bonuses have been cut in half; low cost or free Federal employee parking, although temporarily reinstituted, is not yet assured; the cost of health insurance has been increased; inflation has continued; holidays are no longer counted in computing lump-sum annual leave payments; the initial cost-of-living adjustment after retirement is prorated and subsequent cost-of-living adjustments have been reduced to just one a year; and retroactive annuity adjustments (look-back feature) have been eliminated -- all within the last year. In addition, the pay cap impacts the amount of life insurance protection a senior executive can provide his or her family; and lack of a pay adjustment to maintain comparability or to offset inflation is eroding the value of that benefit as well. It is no wonder that top-level executives are skeptical about what benefits Congress will take away next and are looking to the private sector for positions with the compensation benefits they could once enjoy with the Federal Government.

The Federal Government cannot be made more responsive, effective and productive when it cannot retain its experienced senior executives and cannot compete adequately in the labor market for the talent it needs. At the Department of Energy, if we are to attract and retain high caliber executives capable of helping to secure America's energy future, we must be able to compete with the private sector on at least the basic total compensation package, recognizing that no-interest loans, stock options, company cars, company resorts and vacation facilities, profit-sharing, club memberships, free health and life insurance, etc., will never be matched or adequately factored into comparisons of private versus public compensation for executives.

I appreciate this opportunity, on behalf of the Department of Energy, to provide information concerning our pay-related recruitment and retention problems in the upper ranks, and fully support any measures taken by Congress to resolve the "quiet crisis" currently plaguing the Federal Government.

Sincerely,

Harry L. Peebles

for William S. Heffelfinger
Assistant Secretary
Management and Administration

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

14 [illegible]

The Honorable Ted Stevens
Chairman, Subcommittee on Civil
 Service, Post Office and General
 Services
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your letter of July 31, 1981 requesting information on recruiting senior executives within the Department of Health and Human Services (HHS).

As you know, I have testified before your Subcommittee which held an oversight hearing on the Senior Executive Service bonus system. I also testified on the Fiscal Year 1982 budget before the Labor, Health and Human Services, and Education Appropriations Subcommittee of the Senate Appropriations Committee. The problem of recruitment and retention of senior executives was discussed in both cases. I wish to thank you for this opportunity to further advise you of problems HHS has encountered in these areas.

HHS does have recruitment and retention problems brought on primarily by the lag in pay comparability. This is particularly true in our health functions. The types of personnel whose talents are most urgently needed for the Federal health programs are actively sought by industry, universities, medical and dental schools, other academic institutions, hospitals, health maintenance organizations and similar service agencies and by the public at large who are now compensating physicians at an average rate in excess of $70,000 annually.

This situation applies not only to physicians and other providers of health care, but also to those trained and experienced in the fields of biomedical research and research administration. It applies to top-level planners and to individuals who have the ability to manage Federal health programs operating at spending levels in the hundreds of millions of dollars annually. This means that the men and women best qualified to develop and manage these programs are compelled to leave Federal service--or never enter it--because they can earn a higher income elsewhere.

I would like to cite some recent examples of our recruitment problems:

1. The Directorship of the Division of Cancer Cause and Prevention, National Cancer Institute, was offered to five outside candidates, all of whom turned it down, in turn, for pay and benefits considerations. One of those approached initially and asked to apply wrote back an angry letter, implying that the proposed salary was an insult.

2. A distinguished scientist was simultaneously offered the positions of a) SES Director of the Center for Research for Mothers and Children, National Institute for Child Health and Human Development, and b) department chairmanship at Mt. Sinai Hospital for $150,000. He chose the latter.

3. The search for a Director for the Division of Heart and Vascular Diseases, National Heart, Lung and Blood Institute, which lasted 18 months, eventually ended with the selection of an individual from within the Department. The position had been offered to several highly qualified outside candidates. All declined when the salary and benefits package was fully explained.

4. The position of Director, Office of Financial and Actuarial Analysis, Health Care Financing Administration, had been nationally advertised twice within the past year. The first posting resulted in two applicants, neither of whom was highly qualified. The second attempt brought in 16 applicants, four of whom were highly qualified. Although initially interested, the highest qualified candidate declined the offer because of salary. The second ranked applicant accepted another position.

5. The search for the Chief, Office of Actuary, Social Security Administration, resulted in five highly qualified candidates. All except one turned down offers indicating salary as the primary reason. Fortunately, the person who accepted the position had other income deemed not to be a conflict of interest. The average salary in this field is in excess of $60,000.

There continues to be strong evidence that our retention of executives is affected by the salary compression as well. It is consistently our quality executives who are offered financially rewarding opportunities to leave the Federal service. A few examples:

1. The two former Directors of the National Cancer Institute both left for positions paying $75,000. One of them is currently making a salary well in excess of $100,000.

2. Dr. Mary Jane Jesse, Director of National Heart, Lung and Blood Institute's Division of Heart and Vascular Diseases, left in April 1979 after less than a year in the position. She accepted a top academic position with clinical responsibilities at Miami University's School of Medicine. Her salary was $75,000, plus the right to a private practice and increased insurance and retirement benefits.

3. The Chief of our Clinical Center's Critical Care Medicine Department, Dr. Byron McLees, accepted a position at Wake Forest University for a salary in excess of $100,000. The position is still vacant.

4. Dr. Philip Leder, National Institute for Child Health and Human Development, accepted a position at Harvard, at a much higher but undisclosed salary. He headed one of the most productive laboratories at NIH, and, except for his limited income, was completely satisfied with his situation here. However, he has two children in college, and a third will soon be there. His salary was limited by the pay cap, and he would receive no tuition relief such as he would receive as a professor. He is a prime candidate for a Nobel Prize in a few years, and his loss was another serious blow to NIH.

5. Pasquale Caligiuri, Associate Commissioner for Operations, SSA, retired from the Department and became a Project Director for Aspen Systems Corporation in Bethesda. He said that he would not have retired had SES members been given a cost-of-living increase.

6. Frederick Bohen, Assistant Secretary for Management and Budget, left the Department to become Vice President for Finance and Operations, University of Minnesota. He cited a substantial salary increase as the reason for leaving.

7. Dr. Rhetaugh Dumas, Deputy Director, National Institute of Mental Health, will leave the Department for a position in the private sector where she will receive a salary increase of $15,000 plus an opportunity to augment this with outside consulting.

8. Jan Prokop, Associate Commissioner, Office of Systems, SSA, accepted the position of Executive Vice President, Data Resources, Inc., Boston, Massachusetts. He was serving in a career position and indicated that a higher salary was his primary reason for leaving. He said that there appeared to be no immediate prospect for the ceiling to be lifted.

9. Dr. Christian B. Anfinsen, Chief of the Laboratory of Chemical Biology, National Institute of Arthritis, Diabetes, and Digestive and Kidney Diseases has been offered a substantial increase in salary to work in Israel. He is eligible to retire and will do so to accept the job offer. Dr. Anfinsen is a Nobel Prize Laureate.

10. Dr. Robert I. Levy, Director of the National Heart, Lung and Blood Institute, will leave that position this month to accept a job at Tufts University. Dr. Levy has stated that a major reason for his leaving is salary, which will more than double at Tufts.

We are aware that in addition to the immediate increases in salaries realized by executives who have left the Federal Government, many have doubled again their Federal salaries subsequent to their departure. Our executives meanwhile have received a 5.4 percent increase in four years.

Also, you may be interested to know that virtually all of HHS executives are at the pay cap of $50,112.50. Sixty-five percent of HHS GS-15s are also at the pay cap. Should the proposed pay increase in October 1981 be 4.8 percent and the existing pay cap continue, the percentage of GS-15s at the pay cap will increase and the GS-14, step 10 will also be included in this pay cap.

The Federal Government has executive positions which challenge competent individuals to contribute significantly to the nation's health and welfare. Most executives who have left the Department believe this is true, but cite salary compression as the major factor in their decision. The nature of the jobs, our facilities, and the opportunity to work with the experts we have is inviting to quality professionals who would like to join us...except for the salary.

I am confident you will agree that the "pay cap" is clearly the number one problem this Department and all other Federal agencies face in recruiting and retaining top-level executives.

Sincerely,

Dick Schweiker

Richard S. Schweiker
Secretary

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

September 2, 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
  Post Office, and General Services
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Senator Stevens:

This is in further response to your July 31, 1981 letter concerning difficulty the Department may be experiencing in the loss of executives due to inadequate pay and problems recruiting senior executives.

This fiscal year to date we have had 20 career executives leave the Department for reasons that were not related to the change in Administration. Twenty-two noncareer executives separated as a result of the change in Administration. The 20 career separations are as follows:

3	Transferred to other Federal Agencies
6	Retired
11	Resigned to accept positions in the private sector

During the three preceding fiscal years (FY-1978, 1979 and 1980), the Department lost 55 executives as follows:

17	Transferred to other Federal Agencies
12	Retired
12	Resigned to accept positions in the private sector (3 indicated for financial reasons)
3	Returned to universities
3	Left for personal reasons
1	Went to the Senate
7	No data available

We do not have hard data to identify the effect of the pay cap on recruitment. While salary is a significant factor in recruitment, I am confident that the challenge and rewards of public service help compensate for some of the financial loss that highly talented candidates accept in taking jobs in our agency.

Very sincerely yours,

Samuel R. Pierce Jr

Samuel R. Pierce, Jr.

United States Department of the Interior
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 25 1981

Honorable Ted Stevens
Chairman, Committee on Government Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your letter of July 31, 1981 in which you raise questions relating to the problem of inadequate pay for senior executives.

In recent months we have experienced the loss of a number of senior executives due to retirements and resignations. We have no direct knowledge of the factors that motivated these departures. We do not have specific examples immediately available, but we believe that the Federal pay cap is a factor in the increasing rate of executive attrition.

In terms of recruiting senior executives, the current limitations on executive compensation appear to restrict and narrow our possible sources of recruitment. We expect that it will become increasingly difficult to attract senior GS-15's as well as non-Federal employees as candidates for senior executive positions in the current "pay cap" situation.

I appreciate the opportunity to respond to this issue and fully support any measures taken by Congress to resolve the current SES compensation problem.

Sincerely,

Deputy Assistant SECRETARY

U.S. DEPARTMENT OF LABOR
SECRETARY OF LABOR
WASHINGTON, D.C.

AUG 31 1981

Honorable Ted Stevens
Committee on Governmental Affairs
Subcommittee on Civil Service,
  Post Office, and General Services
United States Senate
Washington, D.C. 20510

Dear Senator Stevens:

Thank you for your letter of July 31, 1981, concerning the impact of pay on recruiting and retaining senior executives.

Due to the highly technical skills required for many of our executive positions, most of our recruitment has been from within the Department since the start of the Senior Executive Service. The recruitment process since January 1981 has been severely curtailed as a result of the hiring freeze. Several of the non-career executives who have joined the Department from the private sector have done so at reduced salaries.

The retirement rate of approximately 14% is, however, significant at the Department. This indicates that the pay cap has caused a definite drain of experience and talent from the executive service.

In summary, the greater impact of the pay situation on Department of Labor executives has been on retention rather than recruitment. I hope you will find this information helpful.

Sincerely,

Raymond J. Donovan

Raymond J. Donovan

DEPARTMENT OF STATE
Washington, D.C. 20520

August 20, 1981

Dear Senator Stevens:

I have for reply your letter of July 31 concerning Federal pay levels. We appreciate your concern for this subject, which is a matter of equal concern in the Department.

The Department cannot cite meaningful figures showing great numbers of employees leaving for pay or any other reason, because this Department is one of the smallest in the entire Federal Government, and the real reason for leaving is not always recorded. In any given month, 40% to 60% of the retirees are Senior Foreign Service Officers.

The salary at the current pay cap is so well known by now that those unwilling to accept it as a salary show no interest in Government service.

However, whenever there is a pay cap, it affects the quality of those we can recruit, the quantity and quality of those who retire, and the morale of those on active service.

In many cases, the difference between the take-home pay of senior officers, and the annuity these employees would have if they retired, is so small that they begin to feel they are working solely out of devotion to duty, not for money.

Moreover, because retirement income is indexed to keep up with the cost of living, while salaries of Government workers are not, many of our senior officers cannot afford not to retire. Particularly those who have easily marketable skills tend to leave just as soon as they can retire.

Indeed, some of our most able, young, senior Foreign Service officers carried out a successful lawsuit against the Department this summer, the object of which was simply to guarantee that they could retire within three years of the passage of the new Foreign Service Act rather than convert either to Civil Service or to the new Senior Foreign Service.

The Honorable
Ted Stevens,
United States Senate.

Obviously it is costly to the Department to recruit, hire, and train junior and mid-level officers quickly enough to meet the Department's constant need for capable, experienced officers. I believe that in certain fields,-- senior administrative officers in particular,-- the Department's expertise has decreased in recent years through early retirement as a direct result of the pay cap.

We can appreciate Congressional desires to keep the Federal budget within bounds, but I would hope that Congress will see fit to raise the pay cap somewhat, if not lift it altogether this fall. OPM has calculated that if the current pay cap remains in effect, and all employees below the cap secure a 4.8% increase in pay this October, about 3250 members of the Foreign Service, or about 1/3 of our officer personnel, will be at the pay cap by mid-October. I do not have the exact number of Civil Servants in the Department who would also be at the pay cap, but obviously it would also be considerable.

In the meantime, we already have senior and middle grade officers of four succeeding supervisory levels receiving the same pay.

I do not know how we can continue to inspire our personnel to continue their long hours and devotion to service, or their willingness to accept dangerous assignments in far-flung areas of the world, unless Congress acts soon to raise, if not altogether eliminate, the current pay cap.

Sincerely,

Richard Fairbanks

Richard Fairbanks
Assistant Secretary for
Congressional Relations

The Secretary of Transportation
Washington, D.C. 20590

AUG 19 1981

The Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
Post Office, and General Services
United States Senate
Washington, D.C. 20510

Dear Ted:

This is in response to your recent letter requesting specific information concerning the impact of the executive pay situation on senior executives leaving the government as well as the Department's ability to recruit new senior executives.

The departure of senior executives because of the pay cap is a topic which has aroused a great deal of interest recently. Unfortunately, this is an area in which the Department, or the Federal government as a whole, has not maintained adequate supportive data in the past. We have recently initiated a system for securing this type of information from departing executives. While we have only received six responses since initiating the system earlier this year, all six indicated that the executive pay cap was a factor influencing their decision. Inasmuch as there are so few, I have enclosed copies of their responses for your review. One, in fact, indicated that "I was not ready to retire . . ., however, with the pay cap . . . the only way I could keep up with the cost of living was to retire."

The recruitment of senior executives, particularly from outside the government, is an area in which general trends and impressions are the best the Department has to offer at this time. Empirical data is minimal because recruitment in the Department of Transportation is decentralized to each Operating Administration.

The pay cap is having a significant adverse impact on the government's ability to get high-potential GS-15 employees to accept more responsible Senior Executive Service (SES) positions. These employees and, in some instances, their subordinates will be paid the same as members of the SES. There is, therefore, a consensus that there is no real opportunity for financial reward in the SES. The bonuses, because of the Congressional limitation of 25 percent are, they believe, limited to those SES members in the highest organizational levels. While this is not universally true, statistics would indicate that the top officials do receive the bonuses most often. For this reason, many capable managers are not willing to take on more responsible positions for no increase in salary when there is virtually no chance for a bonus.

Based on these factors, I believe it is now time to address the entire issue of executive compensation and how it impacts on the government's ability to recruit the best-qualified persons for our executive positions.

Sincerely,

6 Enclosures

U.S. Department of Transportation

27

Dear Former Senior Executive Service Member:

There has been a great deal of discussion about the impact of the Federal salary ceiling on our ability to recruit and retain top-level executives. The reduction in the number of Senior Executive Service performance awards, increased health insurance costs, and potential retirement changes are other factors apparently affecting the ability to retain members of the Senior Executive Service. Although there seems to be a general consensus that these factors adversely impact our ability to recruit and retain executives, we have never attempted to systematically collect data to support or refute this perception.

Because of the scope of the project, and the fact that most career Senior Executive Service members in the Department of Transportation are recruited from the ranks of current federal employees, we do not plan to review the impact of these factors on recruiting at this time. We do intend, however, to begin collecting information from executives who are leaving the federal service. The questionnaire shown below was developed for that purpose. We have kept it as simple as possible, but left space for additional comments you may have. Completion of the questionnaire is completely voluntary, but we urge you to respond so we can begin assembling the data needed to support recommendations for any changes that appear necessary.

If you would like more information about the questionnaire, please call the Executive Personnel Management Division on 202-426-4122. Thank you for your cooperation.

Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name ____________ Pay Level ____

Organization in which you were SES member ____________

Place of Employment ____________

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☐ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☑ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☐ Other (specify): ____________

☐ **Termination during probation**

☐ **Reduction in force**

PART II—Continued

- ☐ **New and/or more challenging SES position in another agency**
- ☐ **Accept comparable or higher position in another pay system**
- ☐ **Accept lower grade**
- ☐ **Other (specify):** ____________

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☑ Executive pay cap
- ☑ Geographic location
- ☑ Image of federal government employee
- ☐ Potential retirement changes
- ☑ Better pay and/or benefits elsewhere
- ☐ Performance award
- ☐ Bonus reductions
- ☐ Other (specify): ____________

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

There were many reasons for my leaving; (1) desire for a "change"; (2) need to move to location near [illegible] (cont.)

(You May Use the Other Side of This Form for Comments if Necessary)

my unit's work; (3) fear that present pay cap would continue for several years and impact of inflation; (4) vulnerability of SES people to adverse action at some time in the future by political appointees; (5) lowered status of federal employees, and (6) program changes.

Although it is impossible to quantify which were the most important I doubt that I would have started to look for a new job if the pay had been raised, as promised, and if there was not so many adverse comments about the federal bureaucracy

Somehow, we have to reinvent the concept of the "civil servant" and bury the bureaucrat. If it would be helpful, let me firmly state that if conditions improve in the future, I would be most happy to reconsider federal employment.

U.S. Department of Transportation

Dear Former Senior Executive Service Member:

There has been a great deal of discussion about the impact of the Federal salary ceiling on our ability to recruit and retain top-level executives. The reduction in the number of Senior Executive Service performance awards, increased health insurance costs, and potential retirement changes are other factors apparently affecting the ability to retain members of the Senior Executive Service. Although there seems to be a general consensus that these factors adversely impact our ability to recruit and retain executives, we have never attempted to systematically collect data to support or refute this perception.

Because of the scope of the project, and the fact that most career Senior Executive Service members in the Department of Transportation are recruited from the ranks of current federal employees, we do not plan to review the impact of these factors on recruiting at this time. We do intend, however, to begin collecting information from executives who are leaving the federal service. The questionnaire shown below was developed for that purpose. We have kept it as simple as possible, but left space for additional comments you may have. Completion of the questionnaire is completely voluntary, but we urge you to respond so we can begin assembling the data needed to support recommendations for any changes that appear necessary.

If you would like more information about the questionnaire, please call the Executive Personnel Management Division on 202-426-4122. Thank you for your cooperation.

Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name
Pay Level

Organization in which you were SES · [illegible]
OST, Asst Secty for Administration

Place of Employment

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☑ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☐ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☐ Other (specify): ____________

- ☐ **Termination during probation**
- ☐ **Reduction in force**

PART II—Continued

- ☐ **New and/or more challenging SES position in another agency**
- ☐ **Accept comparable or higher position in another pay system**
- ☐ **Accept lower grade**
- ☐ **Other (specify):** ____________

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☑ Executive pay cap
- ☐ Geographic location
- ☑ Image of federal government employee
- ☑ Potential retirement changes
- ☐ Better pay and/or benefits elsewhere
- ☐ Performance award
- ☐ Bonus reductions
- ☐ Other (specify): ____________

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

SEE OTHER SIDE

(You May Use the Other Side of This Form for Comments if Necessary)

My decision to retire was a combination of all the factors checked in part III. To sum it up in a single statement:

"IT WAS NO FUN ANYMORE"

U.S. Department of Transportation

Dear Former Senior Executive Service Member:

There has been a great deal of discussion about the impact of the Federal salary ceiling on our ability to recruit and retain top-level executives. The reduction in the number of Senior Executive Service performance awards, increased health insurance costs, and potential retirement changes are other factors apparently affecting the ability to retain members of the Senior Executive Service. Although there seems to be a general consensus that these factors adversely impact our ability to recruit and retain executives, we have never attempted to systematically collect data to support or refute this perception.

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If you would like more information about the questionnaire, please call the Executive Personnel Management Division on 202-426-4122. Thank you for your cooperation.

Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name ________ Pay Level ________

Organization in which you were SES member: DOT FHWA

Place of Employment ________

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☑ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☐ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☐ Other (specify): ________

☐ **Termination during probation**

☐ **Reduction in force**

PART II—Continued

- ☐ **New and/or more challenging SES position in another agency**
- ☐ **Accept comparable or higher position in another pay system**
- ☐ **Accept lower grade**
- ☐ **Other (specify):** ________

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☑ Executive pay cap
- ☐ Geographic location
- ☐ Image of federal government employee
- ☐ Potential retirement changes
- ☐ Better pay and/or benefits elsewhere
- ☐ Performance award
- ☐ Bonus reductions
- ☐ Other (specify): ________

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

(You May Use the Other Side of This Form for Comments if Necessary)

U.S. Department of Transportation

27

Dear Former Senior Executive Service Member:

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Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name ______ Pay Level ______

Organization in which you were SES member: Federal Aviation Admin.

Place of Employment ______

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☒ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☐ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☐ Other (specify): ______

☐ **Termination during probation**

☐ **Reduction in force**

PART II—Continued

- ☐ **New and/or more challenging SES position in another agency**
- ☐ **Accept comparable or higher position in another pay system**
- ☐ **Accept lower grade**
- ☐ **Other (specify):** I expect to do Selective consulting services

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☒ Executive pay cap
- ☐ Geographic location
- ☒ Image of federal government employee
- ☒ Potential retirement changes
- ☐ Better pay and/or benefits elsewhere
- ☐ Performance award
- ☐ Bonus reductions
- ☐ Other (specify): ______

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

The FAA has become too political with too rapid changes in Administrators.

(You May Use the Other Side of This Form for Comments If Necessary)

OVER

There has developed a credibility gap between the various levels in the hierarchy - too many decisions being made secretly without active participation of the highly intelligent and knowledgeable work force given the opportunity for constructive inputs.

From my limited observations, I feel that planning in FAA is NOT dynamic but appears to extend into the future only as long as that person will be on board before retiring. The full enjoyment of the job has disappeared and only retirement plans are foremost - hoping that OPM or Congress does not change the benefits before one gets out.

U.S. Department of Transportation

JUL 27 19

Dear Former Senior Executive Service Member:

There has been a great deal of discussion about the impact of the Federal salary ceiling on our ability to recruit and retain top-level executives. The reduction in the number of Senior Executive Service performance awards, increased health insurance costs, and potential retirement changes are other factors apparently affecting the ability to retain members of the Senior Executive Service. Although there seems to be a general consensus that these factors adversely impact our ability to recruit and retain executives, we have never attempted to systematically collect data to support or refute this perception.

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Robert S. Smith
Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name　　　　Pay Level

Organization in which you were SES member

Federal Aviation Admin
Place of Employment

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☑ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☐ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☑ Other (specify): Will approach them after settling down -

☐ Termination during probation

☐ Reduction in force

PART II—Continued

- ☐ New and/or more challenging SES position in another agency
- ☐ Accept comparable or higher position in another pay system
- ☐ Accept lower grade
- ☐ Other (specify):

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☒ Executive pay cap
- ☐ Geographic location
- ☐ Image of federal government employee
- ☐ Potential retirement changes
- ☐ Better pay and/or benefits elsewhere
- ☐ Performance award
- ☐ Bonus reductions
- ☐ Other (specify):

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

I am not ready to retire I feel that I can do more to benefit the Gov. & Industry Now Than any

(You May Use the Other Side of This Form for Comments If Necessary)

(cont.

[illegible] time in my life. I would have liked to worked another two or three years, however with the pay cap with no [illegible] raise increases, and little or no change in the high [illegible] the only way I could keep up with cost of living [illegible] retire! I take home over $100 a month more in retirement than I was when working. It is purely a case (a poor unfortunate situation) where one must do what the head says not what the heart says."

U.S. Department of Transportation

Dear Former Senior Executive Service Member:

There has been a great deal of discussion about the impact of the Federal salary ceiling on our ability to recruit and retain top-level executives. The reduction in the number of Senior Executive Service performance awards, increased health insurance costs, and potential retirement changes are other factors apparently affecting the ability to retain members of the Senior Executive Service. Although there seems to be a general consensus that these factors adversely impact our ability to recruit and retain executives, we have never attempted to systematically collect data to support or refute this perception.

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If you would like more information about the questionnaire, please call the Executive Personnel Management Division on 202-426-4122. Thank you for your cooperation.

Robert S. Smith
Director of Personnel

PART I—Personal Information (Optional)

Name ______ Pay Level ______

Federal Highway Administration
Organization in which you were SES member

Place of Employment ______

PART II—Reason For Leaving Senior Executive Service in DOT

Retirement (Check Box)

- ☒ Optional
- ☐ Discontinued Service (SES Performance)
- ☐ Discontinued Service (RIF, reorganization, transfer of function)
- ☐ Disability

Resignation (Check Box)

- ☐ State or local government
- ☐ University
- ☐ Nonprofit organization (e.g., foundation, union)
- ☐ Business or industry
- ☐ Self employment
- ☐ No employment planned
- ☐ Other (specify): ______

☐ **Termination during probation**

☐ **Reduction in force**

PART II—Continued

- ☐ **New and/or more challenging SES position in another agency**
- ☐ **Accept comparable or higher position in another pay system**
- ☐ **Accept lower grade**
- ☐ **Other (specify):** ______

PART III—Factor(s) Influencing Decision (Check One Or More)

- ☒ Executive pay cap
- ☐ Geographic location
- ☒ Image of federal government employee
- ☒ Potential retirement changes
- ☐ Better pay and/or benefits elsewhere
- ☒ Performance award
- ☒ Bonus reductions
- ☐ Other (specify): ______

PART IV—Miscellaneous

In this section please provide any additional comments about information in Parts II and III. Feel free to make any other related comments about facts affecting your decision to leave the employment of the Department of Transportation.

The PAY CAP and the change in the "LOOK BACK" provision partially FORCED me to retire. I received

(You May Use the Other Side of This Form for Comments if Necessary)

[illegible] award but figured they would be stopped by Congress. The SES bonus limited to 35% or whatever was just another reason to leave. I truly liked my job - expected to stay several more years but the treatment of Fed employees by Congress is criminal. I got out just in time - the SES people on board now are going to be took.

I have advised my friends (SES and GS-15) to retire as soon as possible before the politicians screw us some more

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

SEP 25 1981

THE ADMINISTRATOR

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
  Post Office, and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am responding to your letter of July 31, 1981, requesting information on the impact of the executive pay ceiling on recruiting and retaining senior executives in EPA.

Press reports are press reports; it is a fact that we have had some SES turnover, but this could be for all sorts of reasons; legitimate policy differences with a new Administration; concerns about job security, career shifts; etc., in addition to whatever effect the pay cap might have.

We would need to conduct a very careful survey of departing SES-level people to even begin to understand their reasons for departure. Without such a survey, it would be impossible to respond meaningfully and with any validity to your request.

I would be pleased to pursue this issue with you if you are so inclined. Please let me know.

Sincerely yours,

Ann M. Gorsuch

Anne M. Gorsuch

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON 20426

IN REPLY REFER TO:

September 8, 1981

Jamie Cowen, Esq.
Chief Counsel
Subcommittee on Civil Service,
  Post Office and General Services
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Cowen:

Judge Benjamin Usher, President of the Federal Administrative Law Judges Conference, has referred your letter of August 21, 1981, advising that you would be pleased to place any written comments in the record of the "Government Brain Drain" hearings to be held on September 14, 1981, to me as Chairman of the Status and Compensation Committee for reply.

I am attaching a copy of my letter to Senator Stevens dated July 15, 1981. This letter accurately reflects the views of the Federal Administrative Law Judges Conference. It is requested that it be included in the record on September 14, 1981.

The members of the Federal Administrative Law Judges Conference are extremely grateful for the very fine efforts of Senator Stevens on our behalf in attempting to solve the Federal Executive pay problem.

Sincerely,

Curtis L. Wagner, Jr.
Chief Administrative Law Judge
Chairman Status and Compensation
  Committee, Federal Administrative
  Law Judges Conference

cc: Judge Usher

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON 20426

IN REPLY REFER TO:

July 15, 1981

Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Dear Senator Stevens:

The purpose of this letter is to urge you to use your influence to override the House Appropriations Committee proposal approved on July 9, 1981, to keep the "cap" on Federal executive and Congressional pay for another year. Since next year is an election year, this is really a "cap" for two more years. If the action of the House Appropriations Committee is approved by the Congress, it will result in GS grades 14, 15, 16, 17, and 18, the six levels of the Senior Executive Service, and Executive Level V all being paid an annual salary of $50,112.50 effective October 1, 1981. This means that the Grade 14 research assistant will be paid the exact same salary as the top government manager who has all of the responsibilities, headaches, and stress that are necessary to keep any organization going. No business, nor government organization, can operate effectively for any substantial period of time under such conditions. It is a total mismanagement of the public business and is directly contrary to the public and the National interest.

The government executive pay situation is totally demoralizing. During the past more than four years there has been only one 5.5 percent increase in pay. At the same time, inflation has sky rocketed, not only in the prices of consumer products and services, but in local and state property taxes as well. The government executive who purchased housing and incurred obligations based on his or her purchasing power four years ago now finds himself in a financial crisis unable to maintain his prior standard of living.

The pay differential between the government and private sectors is even more pronounced in the legal profession. For example, the law clerks at my agency, fresh out of school, at the end of one to one and one half years' service are being given jobs by private law firms at $39,000 - $39,500. The pay differential between government and non-government lawyers is made even more abundantly clear in an article in the November 10, 1980 issue of the Legal Times of Washington which pointed out the following figures for associate salaries at the major law firms in the Washington/New York areas as of October 1, 1980: "Class of 1973, salary range is $56,000 - $66,000; 1974, $48,500 - $58,000; 1975, $46,500 - $53,500; 1976, $46,000 - $51,000; 1977, $44,500 - $48,000; 1978, $39,500 - $44,000; 1979, $39,000 - $41,500; 1980, $36,000 - $39,000." Later articles have pointed out that the 1982 graduates will be offered from $40,000 - $41,000. One of my law clerks who will be leaving at the end of July 1981, advised me that he had already received a $1,000 raise and he hadn't even gone to work yet. The reason was an adjustment in third-year associate salaries at the firm he was entering. This means simply that the government cannot compete for legal talent. Something must be done to keep the top lawyers in government. The American public is entitled to be represented by lawyers who are just as good as those representing private industry.

Yes, the pay "cap" is resulting in a brain drain in government. This was made clear by the GAO statement reported in the Washington Post on July 8, 1981, that the executive turnover rate is now running above 90 percent. Another example is my office which is composed of 23 Administrative Law Judges. Two of the younger Judges have recently left and four others have advised me that they have registered with professional employment agencies. As a matter of fact, I find that I must also start giving consideration to leaving the government which I have served well over the past 27 years. In this connection I am attaching a biographical sketch in order that you will be aware of my background and experience. It had been my intent to continue my public service career for many years to come. However, in view of the salary situation, I must rethink my future plans.

The government is in a crisis situation with regard to the salaries of its top executives. If it is to maintain a high caliber corps of executives, action is mandated now. The problem is the lack of courage on the part of the Congress--the body in which the public has entrusted the Nation's business--to take steps to insure the continued management of the country by top caliber, experienced, and dedicated career executives.

I sincerely appreciate your very fine efforts on this subject over the past month, and I urge you to continue the good work.

Should the Senate Appropriations Committee hold hearings it is requested that a copy of this letter be placed in the record.

Sincerely yours,

Curtis L. Wagner, Jr.
Chief Administrative Law Judge

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

PAUL A. VOLCKER
CHAIRMAN

August 20, 1981

The Honorable Ted Stevens
Chairman
Subcommittee on Civil Service, Post Office,
  and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Stevens:

Thank you for your letter on the problem of senior executives leaving the Federal Government due to inadequate pay. This is a serious concern for the Federal Reserve, as I am sure it is for other government agencies, and I appreciate the opportunity to comment.

As you know, the Federal Reserve Board is not part of the Federal Government's Senior Executive Service (SES); however, compensation of the Board's official staff parallels very closely the SES pay structure, including the limitation on pay. Our inability to grant salary increases to our top-level people has had a harmful effect on morale and has severely distorted pay relationships. As a result of this problem, salary distinctions are insufficient to reflect accurately differences in levels of responsibility. Due to the pay cap on executives salaries, the Board's officer salary structure is so severely compacted that the salaries of 76 percent of the Board's official staff are currently frozen; after October 1 of this year, assuming retention of the pay cap, that figure will increase to 91 percent. Because of the pay compaction problem, the Board is faced with the problem of promoting employees to higher levels of responsibility with little or no increase in salary.

Within the past year, a number of key officials have resigned from the Board, partly or largely for reasons dealing with inadequate compensation. Most of these employees have accepted employment offers which exceeded their Board salaries by 70 percent and more. (You may be interested in the enclosed listing of officers who left the Board in 1981.) Although Federal salaries cannot match those in the private sector, an increase in salary levels of modest proportions may have averted the exodus of some of these people. Thus far this year, the annualized attrition rate for the Board's official staff is exceeding 20 percent, almost double the rate experienced in 1980 and nearly triple the rate experienced in 1979.

In the past, when pay was more competitive and the attrition rate for our key senior officials was fairly low and stable, most of our vacancies were quickly filled. But with the recent sharp increase in resignations among our key officials, it has become extremely difficult to find replacements with the quality of experience necessary to cover critical areas. Unfortunately, we can no longer rely as heavily on recruiting competent replacements from outside of the Federal Reserve due to the increased gap between our salary levels and those offered in the private sector.

The Federal Reserve has traditionally been staffed at senior levels by people intent on making the Federal Reserve their career. However, to an increasing degree, we now find ourselves training people who after a number of years leave for greater financial rewards. While many dedicated individuals have made sacrifices in the past, today's salary gap is too great for us to expect to be able to retain many of these individuals. I am greatly concerned that further erosion of talent could result in a decline of overall Board effectiveness. I realize that in a period of severe budgeting restraint it is difficult to argue for pay increases for the highest paid government workers. However, I do believe the situation has become sufficiently serious that the only responsible course is to take prompt action to lift the pay cap. Again, thank you for the opportunity to comment.

Sincerely,

Paul A Volcker

Enclosure

Officers Leaving the Board in 1981
(As of 7-28-81)

		New Salary	Reason
1.	Officer		Retirement
2.	Officer	$ 90,000	Pay
3.	Officer	61,000	Pay
4.	Officer	110,000	Pay
5.	Officer	62,000	Greater Opportunity
6.	Officer	125,000	Pay
7.	Officer	90,000	Pay
8.	Officer	90,000	Pay
9.	Officer	75,000	Pay
10.	Officer	70,000	Pay and Greater Respon.

NASA
National Aeronautics and
Space Administration
Washington, D.C.
20546
Office of the Administrator

August 19, 1981

Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Dear ~~Senator~~ Ted Stevens:

Thank you for your letter of July 31, regarding the retention and recruiting of high level Federal employees.

There is no doubt in my mind that the personnel policies of the Federal government have discouraged high quality people from remaining in government service or, indeed, from entering public service. We will supply you with statistical evidence of this within the next few days.

Let me discuss two cases that have come to my attention in the short time (4 weeks) that I have been at NASA, which illustrates the problem of retention and recruiting more dramatically than statistics. A few days ago, I was informed that Mr. Gerald D. Griffin, Deputy Director of Kennedy Space Center, is leaving to join a private firm. Mr. Griffin has been with NASA for 16 years, serving in a large number of important posts, and is considered one of our high potential, mid-career executives. When I asked him about the reasons for leaving, Mr. Griffin said, "I love NASA - it has been my whole life - but I simply can no longer afford to stay in the government." Mr. Griffin is going to a position that will pay him several times his current government salary after taxes. In addition, he will receive perquisites (automobile, first class travel, expense allowances, etc.) that are normal to high level posts in the private sector which have almost been completely eliminated in the government. I, of course, made an effort to persuade Mr. Griffin to reconsider his decision as we had been considering him for a high level position in the agency; however, I was not successful.

The position of Associate Administrator for Space Science has been vacant for several months. A Selection Committee recommended that Professor Edward C. Stone of the California Institute of Technology is the best qualified candidate. When Professor Stone was solicited as to his interest in the position, he declined, citing low pay and the absence of adequate allowances for moving as his primary reasons. Although I don't know the exact figure, I would estimate that Professor Stone earns roughly $100,000 per year, one-half from academic salary and half from consulting work, thus he would have to take a gross income reduction of about 50 percent to come to Washington. In addition, I would estimate that he would have to spend at least $4,000 out of his pocket to move his family because of inadequate moving expense allowances. Moreover, if he bought and sold a house, realtors expenses and closing costs, which are normally repaid in a move in the private sector, would also be out-of-pocket to him. Eventually, we will be forced to hire someone less qualified to take this important position. It is hard to calculate exactly what the government will lose because of this, but it is certainly much more than the relatively small amount of money it would cost to move Professor Stone to Washington.

These are but two current examples - let me assure you there are many others. The pay cap has a very negative effect on our best qualified middle level executives. Since most of them are either at or almost at the ceiling, the financial incentives of moving up to higher levels of responsibility are totally absent. Moreover, they can look forward to little opportunity of a substantial increase in that ceiling in the foreseeable future. In addition, in almost all cases, their pension is fully vested so there is little financial incentive for them to remain since they already have three years at the maximum, or close to the maximum. The incentive pay program has been almost gutted by the recent Congressional restrictions. These are the very people that the private sector is most interested in recruiting, i.e., well-trained, highly motivated executives with a number of productive years in front of them.

I would recommend that you consider the following:

1) Raise the pay cap of approximately $50,000 per year for high level Senior Executive Service personnel to $75-80,000 per year.

2) Restore perquisites to some equivalency of that allowed in the private sector. It is highly destructive to morale, for example, that a high level Senior Executive Service employee or Assistant Secretary of a government department, ride tourist in an airliner while the people to whom he lets contracts in the private sector ride first class. This also applies to moving allowances and other out-of-pocket expenses which are considered reimbursable in the private sector.

I do hope that the above is useful to you and that something can be done to alleviate a situation which I believe can only grow worse in the future.

Best personal regards.

Sincerely,

Jim

James M. Beggs
Administrator

NASA

National Aeronautics and
Space Administration

Washington, D.C.
20546

Office of the Administrator

SEP 5 1981

Honorable Ted Stevens
Chairman, Subcommittee on
  Civil Service, Post Office,
  and General Services
Committee on Governmental Affairs
United States Senate
Washington, DC 20510

Dear ~~Senator~~ Ted Stevens:

In my letter to you of August 19, 1981, I pointed out the difficulty in attracting and holding executives in NASA with the pay cap as the major inhibiting factor.

The enclosed statistics clearly illustrate that it is an increasing problem. Our attrition of senior executives was less than 6 percent in 1977; however, attrition has increased to where 20 percent of our senior executives left the agency in 1980.

Attracting qualified replacements for this serious loss of our executive talent is also increasingly difficult with the relatively low salary we can offer as a result of the pay cap.

Your interest in NASA is greatly appreciated.

Sincerely,

Jim

James M. Beggs
Administrator

Enclosures (2)

National Aeronautics and Space Administration
Washington, DC

Retirement, Attrition and Pay Cap Data for NASA Senior Executives

- Ninety Senior Executives retired in FY 80. This represented 20% of the number on board and 75% of the SES members who were eligible to retire.

- In FY 81, 88 or 20.2% of our Senior Executives are eligible to retire.

- The average age of Senior Executives who retired in FY 80 was 57.8 years. Their average length of service was 33.7 years.

- Increase in Attrition Rate for NASA Senior Executives

  FY 77 and 78 = Less than 6%

  FY 79 = 10%

  FY 80 = 20%

- Presently there are 440 SES members at the pay cap with another 1200 subordinates of Senior Executives also at the cap.

  Assuming a 4.8% increase in October of 1981, an additional 1100 employees will be capped for a total of approximately 2750.

  NASA employees in this pay situation range from individual engineers at field centers to Associate Administrators and Center Directors responsible for managing thousands of employees and multi-million dollar programs.

September, 1981 Enclosure 1

National Aeronautics and Space Administration
Washington, DC

Problems in Attracting Executives

An attractive salary is key to the recruitment of executive talent, and under the present Federal salary structure the Government is not competitive in its search for top talent in the aerospace arena. In addition to the recruiting problem outlined in the August 19 letter, here are two recent cases that reinforce this observation:

Case 1: We had an opening for a key senior executive position at the top level of the Senior Executive Service. To attract candidates, we undertook a vigorous national recruiting effort. During that process six former NASA employees were contacted. Each of these clearly was attracted to the challenges of the new position, but each was forced to decline to be considered for the position because of the artificially low pay. Two of these executives have national reputations and now command total compensation packages three to four times what we can pay. We believe that if the Government pay had been more realistic, with the promise of regular increases, each of these two would have been interested in the position.

Case 2: We advertised an SES position established at the ES-5 level in a highly specialized managerial field and the job was initially accepted by a well qualified person from the private sector. After carefully reviewing the total economic impact, the candidate reluctantly informed us that it was not economically feasible for him to take the position.

September, 1981 Enclosure 2

NATIONAL LABOR RELATIONS BOARD
Washington, D.C. 20570

August 17, 1981

The Honorable Ted Stevens
United States Senate
260 Russell Building
Washington, DC 20510

Dear Senator Stevens:

I have your letter of July 31, 1981, asking whether the NLRB is experiencing problems in retaining and recruiting executives because of inadequate pay at the upper levels of the federal pay structure, and if so, for some examples of the problem.

On August 13, 1981, the President issued a recess Board appointment to Dr. John Van de Water and designated him to be the new Chairman of the Board. It is my understanding that Dr. Van de Water, presently out of the country, will take his oath of office in the very near future and that his current plans are to return to Washington in late August.

Although it strikes me as more probable that your inquiry was addressed to me in my capacity as Chairman, next month does mark my 40th year of federal service, and I have served as a Member of the Board since my appointment by President Eisenhower in 1957. Under these circumstances, I thought it would not be inappropriate for me to give you the benefit of my own views, with the assurance that Dr. Van de Water will be furnished a copy of your inquiry and my present response for his further response, if he should so desire.

Preliminarily, I want to emphasize that my views on the subject of federal executive pay cannot fairly be characterized as a function of self-interest. My current term expires in December, 1982 at which time I plan to retire, irrespective of whatever a federal pay situation exists at that time. When I retire, I of course will not cease to be a citizen and, from that standpoint alone, I believe that the current executive pay structure can only have serious adverse consequences for the delivery of all governmental services. The pay structure encourages government by, in some combination, the rich or inexperienced. A delivery of American governmental service by the rich tends to encourage a perception that what is delivered is a function of the "revolving-door" principle.

A delivery of American governmental service by the inexperienced encourages the perception of federal incompetence. In either case, the credibility and legitimacy of governmental initiatives, programs, and services are undermined and I do not believe it is possible to overestimate the implications of that.

Recent press reports have attributed NIH's loss of its Chief, and its Director of the National Heart, Lung and Blood Institute to federal executive pay levels. NASA is losing space shuttle teams. A group of federal judges have proposed organizing into a Federal Judges Association to redress pay imbalances and curtail resignations from the bench. The NLRB, of course, does not command, at least on a day-to-day basis, the same degree of attention as more prominent government institutions but once it is pointed out that, because the NLRB is a law enforcement agency, most of its executives are lawyers, and that private law firms in more than one major city will be paying $40,000 a year to lawyers graduated this June, it should be obvious that we are in position to provide you with examples of how the current executive pay situation likewise threatens the NLRB's ability to continue to deliver an efficient and effective administration of the National Labor Relations Act. Here are just a few.

Perhaps our most important executives are Regional Directors. This Agency's strength has always been in its Regional Offices, which are staffed by approximately 12 to 60 professionals each, and 7 to 31 clericals. Heading each regional office is a Regional Director (SES-Level V), who has risen through the ranks and has carefully been selected from a competitive roster because of his or her demonstrated executive capabilities and in-depth knowledge of labor relations law. The incredible fact is that, of our thirty-three Regional Directors, eleven -- 1/3 -- have resigned their posts in the past two years. I know of at least two others who are contemplating leaving in the very near future. There has never been a mass exodus like this in the history of the Agency.

Some of these Regional Directors have retired prematurely; one resigned to become an Administrative Law Judge, a position which offers an equally inadequate pay but which at least is free of the management pressures associated with the Regional Director's position. For the first time in the Agency's history, three of our youngest Regional Directors -- those who have risen the fastest and, on that basis alone, can be presumed to be among our very best employees -- have told me they could not afford to remain in the Federal Service. In the past, Regional Director positions were almost invariably held for life by our best and most dedicated professionals, who utilized their ever-increasing experience for the good of the Agency and the public. That is obviously no longer the case. I am enclosing copies of the news releases announcing the resignations of these younger and most promising Regional Directors who have resigned within the past two years.

I am also enclosing the news release announcing the recent retirement of W. Edwin Youngblood, Regional Director in Fort Worth, Texas. Though Mr. Youngblood was 60 years of age upon retirement, he had served as Regional Director for only 8 years, and had every intention of continuing to be active in the labor relations field. As he stated: "The Federal government is losing executives because they cannot realistically increase their income. Regional Director is, I believe, the best job in the NLRB, but I have to insure that my children receive a good education."

The problem is, of course, not limited to Regional Directors. The compression problem is no less acute for Board Members, who are, as you know, presidential appointees. In a letter which I sent jointly with General Counsel William Lubbers on October 20, 1980, to Alan Campbell then Director of the Office of Personnel Management, we documented the situation of one Board Member who, because of the pay freeze, would lose almost $9500 in retirement benefits if he served to the end of his term. In fact, this Board Member resigned shortly thereafter, citing the frozen salary scale as a prime motivating factor. I also enclose the news release in which he set forth his dilemma.

Our letter to Campbell, a copy of which I enclose, sets forth in more detail other problems for the Agency created by salary compression. Please note on page 4 the reference to our difficulty recruiting an Assistant General Counsel (SES) for our Washington Office. There were no qualified applicants from any of the 33 Regional Offices! Of course, sooner or later these jobs are filled, usually by someone who does not have to bear the expense of moving to take the promotion. Unfortunately, I anticipate that it will only be a matter of time before these new managers, having reached their salary peak, will leave because of the economic necessity of caring for their families' needs and educating their children. This is a great waste of talent for the government and a great waste of money for the taxpayers. In the case of the 55-year-old retirees, the government retirement fund must add yet another payee to its rolls while the taxpayer has, in addition, to pay the full salary to his less experienced replacement.

Perhaps our greatest recruitment problem lies with our Administrative Law Judges. Technically, these are not managers, but they are GS-16s compensated at the equivalent level, and whose pay is, therefore, also frozen. As stated in our letter to Campbell, Judges are leaving faster than we can replace them.

Chief Judge Welles paints the picture most grimly:

> In the past 20 months (beginning January 1, 1980), 20 ALJ's have retired. Of these, 11 have flatly stated that they would not have retired but for

> the wage freeze. Of our present complement of about 120 judges, only about 30 are now either eligible for retirement or will be within the next year. Twelve of these 30 have already said they will retire within a year unless a pay raise is enacted. There may be others in this category, for 11 of the 30 are in San Francisco, New York, and Atlanta, and I have no indication of their plans.
>
> With respect to recruitment, there are many eligible employees in the Regions who have stated that they have no incentive to uproot themselves to become ALJs, what with the top steps of the GS-14 and about all of the GS-15 levels at or near the salary ceiling. Recruitment of judges from the private sector is virtually impossible at the present pay scales. Those who are eligible are almost all earning more than the present GS-16 salary. At the meeting of the practice and procedure committee of the ABA last February, with about 125 labor lawyers present, a questionnaire asking about the possibility of anyone applying for ALJ was distributed. Not a single affirmative response was received. Conversations with a number of the participants again demonstrated that they salary scale was the major deterrent.

The simple fact is that if Congress does not figure out some method of compensating federal executives in a fashion that even remotely resembles the fashion the private sector compensates its executives, the upper levels of government, whether in the executive, legislative, or judicial branches, will virtually cease to be inhabited by career federal servants and instead will be inhabited by individuals who either covet power above all else, view brief stints in the federal government as a way to enhance their position upon return to the private sector, are so inexperienced they could not command greater compensation elsewhere, or believe brief public service, at substantial economic sacrifice, nonetheless is a citizen's duty. One out of four are not very good odds.

Again, I would like to emphasize that I do not stand to profit personally by the advocacy of a substantial pay increase for federal executives -- at least to any meaningful degree. I will retire in December, 1982.

If you require any further information, I will be happy to provide it. As I indicated at the outset, Dr. Van de Water will be provided a copy of your letter when he returns and I am certain he will give your inquiry the attention it deserves.

Sincerely,

John H. Fanning

John H. Fanning
Member

N. L. R. B. BULLETIN

Division of Information
Washington, D. C.
July 31, 1980

ALEX V. BARBOUR, NLRB REGIONAL DIRECTOR IN CHICAGO, TO ENTER PRIVATE LAW PRACTICE

Alex V. Barbour, Regional Director in Chicago for the National Labor Relations Board, announces that he is resigning in mid-August to enter the private practice of labor relations law.

He will join the Chicago firm of Pope, Ballard, Shepard & Fowle on August 18. The firm represents management clients in labor relations.

Barbour, at 38 the youngest of NLRB's 33 Regional Directors, for five years has directed operations in one of the busiest offices of the independent agency which administers the basic U.S. labor relations law.

Born in Knoxville, Iowa, Mr. Barbour received his BA degree from the University of Iowa in 1963 and his JD degree from the University of Iowa College of Law in 1965. Prior to passing the bar examination, he joined the NLRB staff as a law clerk in Milwaukee. He was promoted to Supervisory Attorney and transferred to Minneapolis in March 1972. He became Regional Attorney, the chief law officer, in Chicago in December of that same year. He was appointed Regional Director in August, 1975.

Mr. Barbour and his wife, Sue, are parents of a daughter and two sons, Lisa Kay, 19, Alex IV, 16, and Timothy, 13. The family resides at 315 Compton Lane, Schaumburg, Illinois 60194.

# # #

N. L. R. B. BULLETIN

Division of Information
Washington, D. C.
June 11, 1981

CURTIS L. MACK, NLRB REGIONAL DIRECTOR IN ATLANTA, TO ENTER PRIVATE LAW PRACTICE

Curtis L. Mack, the Regional Director in Atlanta for the National Labor Relations Board, announces that he is resigning June 26 to enter the private practice of labor relations law with a law firm representing management clients.

Mr. Mack, at 38 the youngest of the agency's 33 Regional Directors, for nearly five years has directed NLRB operations in Georgia, northern Alabama and eastern Tennessee. The NLRB administers the basic U.S. labor relations law.

Mr. Mack said he is resigning to take advantage of what he termed greater personal opportunities in Atlanta. He said his service as head of NLRB's Atlanta Regional Office has been "exciting, rewarding and perhaps the most enjoyable period of my life, and I will always cherish my association with this fine agency, which has built a reputation for objectivity, impartiality and fairness."

In his letter of resignation, he told General Counsel William A. Lubbers, who supervises NLRB regional offices, that "I am deeply impressed with your goals and objectives."

A native of Valdosta, Georgia, Mr. Mack began his legal career with the NLRB in Cleveland in 1970, after receiving his J.D. degree from the University of Akron College of Law. Returning to school for his LL.M. degree at the University of Michigan School of Law in 1973, in studies emphasizing labor law, he then became a professor of law at the University of Florida.

When the State of Florida established its Public Employees Relations Commission in 1974, Mr. Mack became the agency's first General Counsel. He soon was named Chairman of the Commission, which administers a statute with similarities to the National Labor Relations Act. He was appointed NLRB Regional Director in August, 1976.

Mr. Mack and his wife, Ernestine, are parents of sons Antonio and Curtis and a daughter Sharyn.

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N. L. R. B. BULLETIN

Division of Information
Washington, D. C.
June 27, 1979

MICHAEL TAYLOR, REGIONAL DIRECTOR AT OAKLAND, TO ENTER PRIVATE LAW PRACTICE

Michael A. Taylor, Regional Director since the National Labor Relations Board established its 32nd Regional Office in 1976 in Oakland, California, is resigning August 31 to enter private practice in labor relations law.

Taylor, 41, will join a law firm in Washington, D.C.

With the NLRB since receiving his law degree in 1964, Taylor said he believed it is time in his career to include active practice outside Federal Service.

A native of West Orange, New Jersey, he received his undergraduate degree at Dickinson College, Pennsylvania, and his law degree at American University, Washington, D. C.

Taylor joined the NLRB in Washington 15 years ago as an attorney on the staff of the General Counsel. He has been a field attorney and supervisory attorney in Pittsburgh, an Assistant General Counsel in Washington, Regional Attorney in San Francisco, and Regional Director in Oakland.

Taylor and his wife, Karen, are parents of two sons, Eric and Marc, and two daughters, Jennifer and Michelle.

# # #

N. L. R. B. BULLETIN

Division of Information
Washington, D. C.
Aug. 6, 1980

W. EDWIN YOUNGBLOOD, NLRB REGIONAL DIRECTOR AT FORT WORTH ANNOUNCES HIS RETIREMENT

W. Edwin Youngblood, 60, who rose from messenger to manager in a Federal career spanning four decades, is retiring at the end of August as Regional Director for the National Labor Relations Board in Fort Worth, Texas.

Climaxing a long legal career with the independent agency administering the primary U.S. labor relations law, Mr. Youngblood for seven years has been in charge of the regional headquarters responsible for NLRB case-handling activities in the northern two-thirds of Texas and throughout Oklahoma. Upon retirement, he will engage in labor law arbitration and, possibly, some teaching.

Mr. Youngblood said he leaves "the greatest agency in the government" with mixed emotions. "For me," he said, "it is a case of measuring job satisfaction with earnings opportunity--at a time when I will have three kids in college.

"The Federal government is losing executives because they cannot realistically increase their income. Regional Director is, I believe, the best job in the NLRB, but I have to insure that my children receive a good education."

Mr. Youngblood, born in Paducah and raised in Vernon, Texas, was an 18-year-old messenger and then a clerk-typist in the Department of Agriculture at the start of his Federal career. It was interrupted by Army Air Corps service during World War II; he was a radio operator and aerial gunner with the 9th Air Force in Europe. After the war, he earned his undergraduate degree in economics, with honors, at North Texas

State University, and his Juris Doctor degree from the University of Texas School of Law.

That was 1950. Mr. Youngblood joined the legal staff of the Department of Justice, then, a few months later, he transferred to the National Labor Relations Board as an attorney-advisor to a Board Member in Washington.

With the NLRB, Mr. Youngblood successively served as a Trial Attorney in Fort Worth (1952-60), Assistant Regional Attorney in Chicago and in Houston (1960-62), Administrative Law Judge, then titled Trial Examiner, in Washington (1962-68), Regional Attorney in Fort Worth (1968-73), and, finally, Regional Director in Fort Worth (1973-80).

In addition to directing NLRB activities in the Texas-Oklahoma area, Mr. Youngblood has been active in Federal and civic affairs. This month he is due to be elected National President-Elect of the Federal Bar Association. He has served in a number of executive capacities with the FBA the last several years.

Mr. Youngblood is Past President of the national Administrative Law Judge Conference, is Past President and a current member of the Board of Directors of Fort Worth's Federal Business Association. He is a member of the Planning Committee, Institute on Labor Law, Southwestern Legal Foundation, is a Trustee of the Westcliff United Methodist Church, and teaches an adult Sunday School class.

Mr. Youngblood is married to the former Marjorie Bagby of De Soto, Texas. They have five children -- Edwin, in the University of Houston School of Law; Brett, attending the University of Texas, and Melanie, a summa cum laude 1980 high school graduate; The Rev. Scott Youngblood, pastor of Asbury United Methodist Church in Haltom City, Texas, and Mrs. Laura Denson of Fort Worth -- and a grandson, Philip Youngblood of Haltom City. The Youngblood residence is at 4117 Ranier Court, Fort Worth 76109.

# # #

NATIONAL LABOR RELATIONS BOARD
Washington, D.C. 20570

August 19, 1981

The Honorable Ted Stevens
United States Senate
260 Russell Building
Washington, DC 20510

Dear Senator Stevens:

On August 17th, I responded to your letter of July 31, 1981 seeking views on the current federal executive pay situation. In my response (p. 3, para. 2), I indicated that I was enclosing a news release concerning the resignation of former-Member Penello. A review of office copies of the response suggests the possibility that the enclosure, inadvertently, was not attached to the response provided to you. In the event it was not, a copy of the news release is attached. I regret whatever inconvenience the omission may have caused.

Sincerely,

John H. Fanning

John H. Fanning
Member

NATIONAL LABOR RELATIONS BOARD

WASHINGTON, D.C. 20570

FOR IMMEDIATE RELEASE
Wednesday, January 7, 1981

(R-1629)
Tel. 632-4950

JOHN A. PENELLO RESIGNS AS NLRB MEMBER

John A. Penello today announced his resignation as a Member of the National Labor Relations Board, effective January 14.

Mr. Penello is the senior employee of the independent agency which administers the nation's basic labor relations law. His service spans more than 43 years--field examiner, 23 years as Regional Director in St. Louis, Minneapolis and Baltimore, Associate General Counsel in charge of field operations, and nine years as a Board Member by presidential appointment.

A Democrat, Mr. Penello resigned seven months before expiration of his second five-year term.

Mr. Penello submitted a brief resignation to President Carter, and the following letter to President-Elect Reagan:

> I am enclosing a copy of my resignation, effective January 14, 1981, as a Member of the National Labor Relations Board which I have forwarded this day to President Carter. It is only after a great deal of soul-searching that I have taken this step seven months before the expiration of my term.
>
> This is the second five-year term I have served as a Board Member, being appointed by President Nixon in 1971 and reappointed by President Ford in 1976. I am extremely grateful for the opportunity I have had to serve the nation and have immensely enjoyed my 43 years of service with the NLRB. During the past ten years as a Board Member, I have been fortunate to have had the chance to contribute to the course and development of the National Labor Relations Act which, as you know, is still regarded as this country's most important labor law. During my tenure, I have tried to interpret this law in the manner in which I believe Congress intended, consistent with the practicalities of the often competing interests of employees, unions, and management.

I am taking the liberty of writing to you so that the reasons for my resignation will be clear, and so that you may be personally aware of the important need for the timely appointment of my successor.

As you know, executive level salaries have been essentially frozen for active government officials, while retired government officials have been receiving full cost of living increases twice a year. I have already stayed on active service more than a year beyond the point at which retirement would have been most financially advantageous to me, and I have sacrificed several cost of living increases as a result. I have made the sacrifice because I felt that the President would most likely choose as my successor someone whose views were philosophically incompatible with mine. Since I am now confident that my successor will have the same balanced approach to labor-management relations that I have tried to bring to Board decisions, and since I must forego yet another cost of living increase if I do not retire by January 16, 1981, I have decided that I have now made all of the sacrifices that can reasonably be expected of me and my family.

I respectfully urge you to give the highest possible priority to the appointment of my successor. Stability at the Board is a prerequisite to effective administration of the Act and a full complement of Board members is essential for successfully meeting the challenges that lie ahead.

Currently the agency is faced with a record case intake - nearly 60,000 cases last fiscal year - which will confront the Board with nearly 1400 cases to decide during the current year. Extremely important issues are pending before the Board, and I cannot overestimate their potential impact on the labor-management community and the public in general. This is particularly so in the current unsettled state of the economy where balance is needed to promote prosperity through labor-management peace and stability.

Thank you for the opportunity to express my concerns. You have my sincere best wishes for success as you embark upon your term as President.

Respectfully,

John a Penello

John A. Penello
Board Member

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

OFFICE OF THE
CHAIRMAN

September 15, 1981

The Honorable Ted Stevens, Chairman
Subcommittee on Civil Service, Post Office,
and General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter of July 31, 1981, requesting information about the Nuclear Regulatory Commission's experience in recruiting and retaining senior executives.

In brief, our experience has provided strong indications that the continuing cap on executive pay is adversely affecting our ability to recruit and retain top-level executives.

Since July 1979, when the Senior Executive Service was established, we have filled seven executive positions from outside the agency. Significantly, all our new hires have come from other Federal agencies. None has come from private industry, despite our efforts to recruit from that sector. It would appear, therefore, that the pay and incentive package we have to offer is not competitive. During the same period, we have lost sixteen executives -- seven retired, three transferred to other agencies and six resigned. Similar indications exist for our employees at the GS-15 level. Since October 1980, we have lost 29 GS-15's -- eleven retired, five transferred and thirteen resigned. We do not have complete information on why the persons who resigned left the Federal service; however, I think we may assume they left to accept better jobs in private industry. Furthermore, we understand several executives within the agency are currently entertaining offers from industry.

We have no ready solutions to these problems. With pay compression extending into grade 14, we are unable to administer an equitable pay system among our top executives. We had hoped that the bonus provisions of the Senior Executive Service system would enable us to relieve some of the inequity created by the pay cap. However, limitations placed on bonuses last year made it difficult to administer the program.

We share your concern regarding the ability of the Federal Government to continue to attract and retain the top talent it needs. We are convinced that the present pay problem is the major obstacle to that objective, and urge you to support raising the pay cap.

Sincerely,

Nunzio Palladino

Nunzio J. Palladino
Chairman

United States
Office of
Personnel Management
Washington, D.C. 20415

In Reply Refer To
Your Reference

SEP 17

Honorable Ted Stevens
Chairman
Subcommittee on Civil Service,
Post Office, and General Services
United States Senate
Washington, D.C. 20510

Dear Mr. ~~Chairman~~ Ted:

This responds to your letter of July 31, 1981, requesting information on any problems the Office of Personnel Management may be experiencing in the retention and recruitment of senior executives due to inadequate pay.

Since October 1980, the date of the last Federal pay comparability adjustment, the Office of Personnel Management has lost a total of 21 senior executives, all of whom held appointments in the Senior Executive Service. Of this total, 13 held career appointments. Three of these retired from Federal service, and a fourth accepted discontinued service retirement when his position and programs were abolished in budget reductions implemented in OPM. Five of the career appointees transferred from OPM to other Federal agencies. The remaining four career appointees resigned to accept employment outside the Federal sector.

We have no documentation to indicate that any of these 13 career appointees left OPM primarily because of the current pay situation for senior executives. However, of those senior executives who retired upon reaching the minimum age and service requirements for voluntary retirement, we can surmise that the present cap on executive pay, and the twice-a-year cost-of-living adjustment to annuities, may have influenced their decision to retire.

The remaining eight senior executives who left OPM held noncareer or limited appointments in the Senior Executive Service. These individuals either resigned at the expiration of their term appointments, or left during the transition to the new administration.

Since October 1, 1980, the Office of Personnel Management has actively recruited to fill a total of seven Senior Executive Service positions. With the exception of recruiting to fill the position of Chief Actuary in the Compensation Group, we have noticed no lack of interest in candidates seeking employment with OPM.

The position of Chief Actuary requires a highly technical background and training in the actuarial area. In our recruiting to fill this position, we received applications from only 16 individuals. In this technical profession we must compete directly with the private sector where current salaries for top-level actuaries are well above the current Federal pay of $50,112.50.

A majority of the senior executive positions in OPM are of a general manager type, rather than of a highly technical type. Consequently, vacancy announcements for OPM executive positions provide for recruitment from a fairly broad audience. This may partially explain the high interest, and the volume of high quality applications, we receive when a vacancy is advertised.

We support the Congressional interest in Federal executive pay and look forward to the results of your survey.

Sincerely,

Donald J. Devine
Director

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXECUTIVE DIRECTOR

02 SEP 1981

Honorable Ted Stevens
United States Senate
Washington, D. C. 20510

Dear Senator Stevens:

Chairman John S.R. Shad has asked me to respond to your recent request for information regarding the impact of the pay ceiling on the retention and recruitment of senior executives at this Commission.

Since October 1978, we have lost 48 persons at the GS-15 and Senior Executive Service levels. That is about a fourth of our authorized positions at those levels. We can say without fear of contradiction that inadequate pay is the most significant factor in the turnover rate of our senior executives and mid-level managers as well. Not every separating employee makes a point of specifically citing salary as an issue. However, through informal discussions and through our exit interviews we have learned, that in practically all instances departing senior executives and mid-level managers received substantial salary raises over their government pay when they assumed new positions in the private sector. Enclosed for your information are some recent examples of specific statements from departing employees which characterize the extent of the problem.

Our ability to recruit executives for our legal positions, except for the very high cost areas such as Los Angeles and New York, has not been severely handicapped by the pay cap. Lawyers find their work at the SEC challenging, stimulating and personally rewarding, and lawyers with SEC experience are generally in great demand by the private bar. In the non-legal areas, we have experienced considerably more difficulty in attracting the high quality candidates. Such positions as Deputy Chief Accountant and Director of Economic and Policy Research are examples of positions that have proven especially difficult to fill.

We appreciate the opportunity to provide you with our views and experiences resulting from the pay cap. If you wish additional information, we will be pleased to provide it to you.

Sincerely,

George G. Kundahl

George G. Kundahl
Deputy Executive Director

Enclosure

Honorable Ted Stevens
United States Senate
Washington, D. C. 20510

Dear Senator Stevens:

Chairman John S.R. Shad has asked me to respond to your recent request for information regarding the impact of the pay ceiling on the retention and recruitment of senior executives at this Commission.

Since October 1978, we have lost 48 persons at the GS-15 and Senior Executive Service levels. That is about a fourth of our authorized positions at those levels. We can say without fear of contradiction that inadequate pay is the most significant factor in the turnover rate of our senior executives and mid-level managers as well. Not every separating employee makes a point of specifically citing salary as an issue. However, through informal discussions and through our exit interviews we have learned, that in practically all instances departing senior executives and mid-level managers received substantial salary raises over their government pay when they assumed new positions in the private sector. Enclosed for your information are some recent examples of specific statements from departing employees which characterize the extent of the problem.

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We appreciate the opportunity to provide you with our views and experiences resulting from the pay cap. If you wish additional information, we will be pleased to provide it to you.

Sincerely,

George C. Kundahl
Deputy Executive Director

Enclosure

Approved
Exception to SF-50

NOTIFICATION OF PERSONNEL ACTION

FOR AGENCY USE

1. NAME (CAPS) LAST-FIRST-MIDDLE

SEX

2. (FOR AGENCY USE)

3. BIRTH DATE (mo., day, year)

4. SOCIAL SECURITY NO.

5. VETERAN PREFERENCE 1-NO 2-5 PT. 3-10 PT. DISAB. 4-10 PT. COMP. 5-10 PT. OTHER

6. TENURE GROUP

7. SERV. COMP. DATE

8. HANDICAP CODE

9. FEGLI 1

1-COVERED (REGULAR ONLY - DECLINED OPTIONAL) 2-INELIGIBLE 3-WAIVED 4-COVERED (REG. AND OPT.)

10. RETIREMENT 1

1-CS 2-FICA 3-FS 4-NONE 5-OTHER

11. (FOR CSC USE)

12. CODE

NATURE OF ACTION

13. EFFECTIVE DATE (mo., day, year)

14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY

15. FROM: POSITION TITLE AND NUMBER

GENERAL ATTORNEY (FINANCE)

16. PAY PLAN AND OCCUPATION CODE GS 00905

17. GRADE OR LEVEL (a) 15 STEP OR RATE (b) 1

18. SALARY

19. NAME AND LOCATION OF EMPLOYING OFFICE

OFFICE OF GENERAL COUNSEL

20. TO: POSITION TITLE AND NUMBER

21. PAY PLAN AND OCCUPATION CODE

22. GRADE OR LEVEL (a) STEP OR RATE (b)

23. SALARY

24. NAME AND LOCATION OF EMPLOYING OFFICE

25. DUTY STATION (City - County - State) DC

26. LOCATION CODE

27. APPROPRIATION

28. POSITION OCCUPIED 1-COMPETITIVE SERVICE 2-EXCEPTED SERVICE 2

29A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING

29B. IF SEPARATED DURING PROBATION, CHECK HERE AND SHOW REASONS BELOW AS REQUIRED

29C. SERVICE COUNTING TOWARD CAREER (OR PERM.) TENURE FROM

30A. FLSA STATUS 1-EXEMPT 2-NON EXEMPT 1

30B. POSITION SUPERVISORY

30C. WORK SCHEDULE

30D. PAY RATE DETERMINANT

30E. SPECIAL PROGRAM ID. 01

30F. EDUCATION LEVEL 17

30G. YEAR DEGREE ATTAINED

30H. ACADEMIC DISCIPLINE

REMARKS:

RESIGNED TO ACCEPT A NEW POSITION. SF-2815 COMPLETED AND A COPY PROVIDED TO EMPLOYEE [illegible]. F/A:

31. DATE OF APPOINTMENT AFFIDAVIT (Accessions only)

32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing office)

34. SIGNATURE (Or other authentication) AND TITLE

33. CODE

EMPLOYING DEPARTMENT OR AGENCY

35. DATE

36. ASSIGNING OFFICE

5. CHRONOLOGICAL JOURNAL FILE COPY

Information in items 20 - 27 should be obtained from the employee by the interviewer.

20. WHAT DO YOU THINK ABOUT THE COMMISSION AS A PLACE TO WORK? WHAT DO YOU LIKE MOST ABOUT IT? WHAT LEAST?

a. Attitudes and opinions:

The Commission is best described as a provocative place to work. It is far above any other government agency with which I have been associated. Remarkably despite miserable working conditions morale continues to be relatively high.

b. Suggestions for improvement:

A better work place might help efficiency. But be careful since the conditions under which staff works impart a kind of siege mentality — "we are equal to it" — that may disappear in nicer quarters

21. HOW DO YOU FEEL ABOUT THE JOB YOU ARE LEAVING? WHAT WAS MOST SATISFYING ABOUT IT? WHAT DID YOU LIKE LEAST ABOUT IT?

a. Attitudes and opinions:

Wonderful job Bob Pozen, Ralph Ferrara, & Dan Goelzer all splendid, intelligent people to work for

b. Suggestions for improvement:

Continue to attract people like above and there will be no problem

22. WHEN AN EMPLOYEE IS TRANSFERRING TO ANOTHER AGENCY OR GOING INTO PRIVATE INDUSTRY, THE INTERVIEWER MAY SAY, "I'M INTERESTED IN HEARING ABOUT YOUR NEW JOB AND WHY YOU DECIDED TO MAKE A CHANGE. . ."

COMMENTS:

Upward movement in Commission is a chancy thing. The pyramid narrows quickly at the top. New job in private sector offers both financial and intellectual opportunities which might prove to be unavailable if stay at Commission were continued

Form 9-500
Approved
Exception to SF-50

NOTIFICATION OF PERSONNEL ACTION

(FOR AGENCY USE)
[illegible]

1. NAME (CAPS) LAST-FIRST-MIDDLE	SEX	2. (FOR AGENCY USE) [illegible]1-Y-1	3. BIRTH DATE (mo., day, year) [illegible]	4. SOCIAL SECURITY NO.
5. VETERAN PREFERENCE [illegible] 1-NO 2-5 PT. 3-10 PT. DISAB. 4-10 PT. COMP. 5-10 PT. OTHER	6. TENURE GROUP 1	7. SERV. COMP. DATE [illegible]-68		8. HANDICAP CODE [illegible]
9. FEGLI 1 1-COVERED (REGULAR ONLY - DECLINED OPTIONAL) 2-INELIGIBLE 3-WAIVED 4-COVERED (REG. AND OPT.)	10. RETIREMENT 1 1-CS 2-FICA 3-FS 4-NONE 5-OTHER			11. (FOR CSC USE)
12. CODE [illegible]	NATURE OF ACTION [illegible]			13. EFFEC. DATE (mo., day, year) 0[illegible]-1

14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY

15. FROM: POSITION TITLE AND NUMBER [illegible] CORPORATE ANALYSIS & EXAMINATION OFFICER	16. PAY PLAN AND OCCUPATION CODE GS 00301	17. GRADE (a) OR LEVEL 15	STEP (b) OR RATE 0[illegible]	18. SALARY PA 346,9
19. NAME AND LOCATION OF EMPLOYING OFFICE DIVISION OF CORPORATION FINANCE [illegible] ASSISTANT DIRECTOR NO. 2				39040
20. TO: POSITION TITLE AND NUMBER	21. PAY PLAN AND OCCUPATION CODE	22. GRADE (a) OR LEVEL	STEP (b) OR RATE	23. SALARY
24. NAME AND LOCATION OF EMPLOYING OFFICE				
25. DUTY STATION (City - County - State) WASHINGTON DC				26. LOCATION CODE 11-[illegible]-[illegible]

27. APPROPRIATION	28. POSITION OCCUPIED 1-COMPETITIVE SERVICE 2-EXCEPTED SERVICE 1	29A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING	
29B. IF SEPARATED DURING PROBATION, CHECK HERE AND SHOW REASONS BELOW AS REQUIRED		29C. SERVICE COUNTING TOWARD CAREER (OR PERM) TENURE FROM	
30A. FLSA STATUS 1-EXEMPT 2-NON-EXEMPT 1	30B. POSITION SUPERVISORY 1	30C. WORK SCHEDULE F	30D. PAY RATE DETERMINANT [illegible]
30E. SPECIAL PROGRAM ID. [illegible]	30F. EDUCATION LEVEL 1[illegible]	30G. YEAR DEGREE ATTAINED 69	30H. ACADEMIC DISCIPLINE [illegible]03

REMARKS:
[illegible] TO ENTER THE PRIVATE PRACTICE OF LAW.
FWA:

31. DATE OF APPOINTMENT AFFIDAVIT (Accessions only)	34. SIGNATURE (Or other authentication) AND TITLE JAMES C. FOSTER [illegible]
32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing off.)	

33. CODE [illegible]	EMPLOYING DEPARTMENT OR AGENCY SECURITIES AND EXCHANGE COMMISSION	35. DATE [illegible]-1[illegible]-[illegible]	36. Submitting Office No. [illegible]

5. CHRONOLOGICAL JOURNAL FILE COPY

Information in items 20 - 27 should be obtained from the employee by the interviewer.

20. WHAT DO YOU THINK ABOUT THE COMMISSION AS A PLACE TO WORK? WHAT DO YOU LIKE MOST ABOUT IT? WHAT LEAST?

a. Attitudes and opinions:

Sincerely enjoyed ~~my work~~ –
Work involved very challenging decisions and the opportunity to work with very ~~favorable~~ knowledgeable people -
SEC has a good reputation

b. Suggestions for improvement:

Expand staff – Gov't. pay

21. HOW DO YOU FEEL ABOUT THE JOB YOU ARE LEAVING? WHAT WAS MOST SATISFYING ABOUT IT? WHAT DID YOU LIKE LEAST ABOUT IT?

a. Attitudes and opinions:

See above

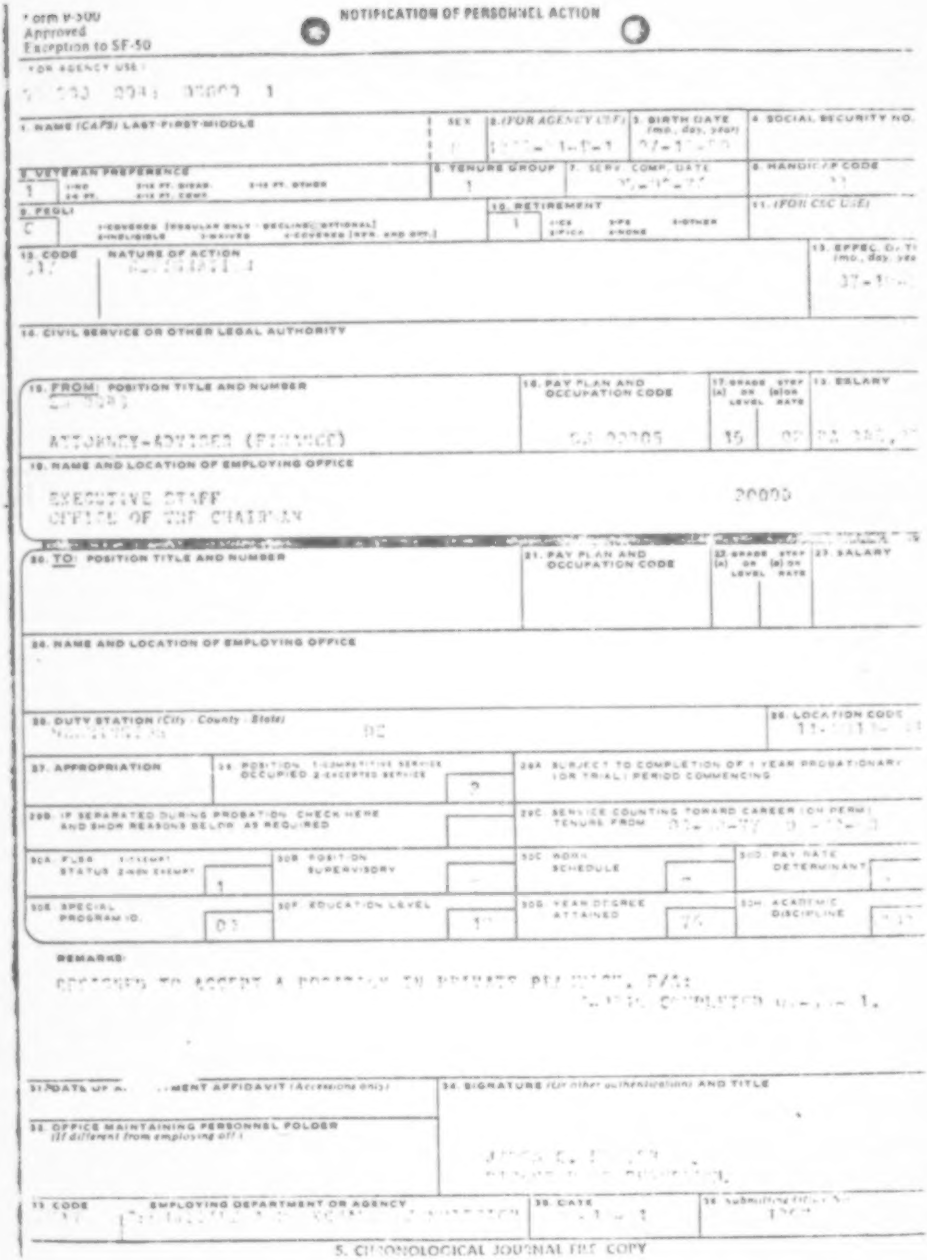
b. Suggestions for improvement:

See above

22. WHEN AN EMPLOYEE IS TRANSFERRING TO ANOTHER AGENCY OR GOING INTO PRIVATE INDUSTRY, THE INTERVIEWER MAY SAY, "I'M INTERESTED IN HEARING ABOUT YOUR NEW JOB AND WHY YOU DECIDED TO MAKE A CHANGE. . ."

COMMENTS:

More challenging opportunities - significantly ~~[illegible]~~ more money



Form P-500
Approved
Exception to SF-50

NOTIFICATION OF PERSONNEL ACTION

(FOR AGENCY USE)
[illegible] 1

1. NAME (CAPS) LAST-FIRST-MIDDLE	SEX [illegible]	2. (FOR AGENCY USE) [illegible]	3. BIRTH DATE (mo., day, year) [illegible]	4. SOCIAL SECURITY NO.
5. VETERAN PREFERENCE 1-NO 2-5 PT. 3-10 PT. DISAB. 4-10 PT. COMP. 5-10 PT. OTHER 1	6. TENURE GROUP 1	7. SERV. COMP. DATE [illegible]		8. HANDICAP CODE [illegible]
9. FEGLI 1-COVERED (REGULAR ONLY - DECLINED OPTIONAL) 2-INELIGIBLE 3-WAIVED 4-COVERED (REG. AND OPT.) C	10. RETIREMENT 1-CS 2-FICA 3-FS 4-NONE 5-OTHER 1			11. (FOR CSC USE)

12. CODE
[illegible]

NATURE OF ACTION
[illegible]

13. EFFEC. DATE (mo., day, year)
[illegible]

14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY

15. FROM: POSITION TITLE AND NUMBER [illegible] ATTORNEY-ADVISER (FINANCE)	16. PAY PLAN AND OCCUPATION CODE [illegible]	17. GRADE (a) OR LEVEL 15	STEP (b) OR RATE [illegible]	18. SALARY [illegible]
19. NAME AND LOCATION OF EMPLOYING OFFICE EXECUTIVE STAFF OFFICE OF THE CHAIRMAN 20000				
20. TO: POSITION TITLE AND NUMBER	21. PAY PLAN AND OCCUPATION CODE	22. GRADE (a) OR LEVEL	STEP (b) OR RATE	23. SALARY
24. NAME AND LOCATION OF EMPLOYING OFFICE				
25. DUTY STATION (City - County - State) [illegible] DC				26. LOCATION CODE [illegible]

27. APPROPRIATION	28. POSITION OCCUPIED 1-COMPETITIVE SERVICE 2-EXCEPTED SERVICE 2	29A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING	
29B. IF SEPARATED DURING PROBATION, CHECK HERE AND SHOW REASONS BELOW AS REQUIRED		29C. SERVICE COUNTING TOWARD CAREER (OR PERM) TENURE FROM [illegible]	
30A. FLSA STATUS 1-EXEMPT 2-NON EXEMPT 1	30B. POSITION SUPERVISORY –	30C. WORK SCHEDULE –	30D. PAY RATE DETERMINANT
30E. SPECIAL PROGRAM ID. [illegible]	30F. EDUCATION LEVEL [illegible]	30G. YEAR DEGREE ATTAINED [illegible]	30H. ACADEMIC DISCIPLINE [illegible]

REMARKS:
[illegible] TO ACCEPT A POSITION IN PRIVATE [illegible]
[illegible] COMPLETED [illegible]

31. DATE OF APPOINTMENT AFFIDAVIT (Accessions only)

32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing off.)

34. SIGNATURE (Or other authentication) AND TITLE
[illegible]

33. CODE [illegible]	EMPLOYING DEPARTMENT OR AGENCY [illegible]	35. DATE [illegible]	36. Submitting Office No. [illegible]

5. CHRONOLOGICAL JOURNAL FILE COPY

Information in items 20 - 27 should be obtained from the employee by the interviewer.

20 WHAT DO YOU THINK ABOUT THE COMMISSION AS A PLACE TO WORK? WHAT DO YOU LIKE MOST ABOUT IT? WHAT LEAST?

a. Attitudes and opinions:

Excellent - Most: Friendly, challenging, group-oriented decision-making.
Least: Remuneration

b. Suggestions for improvement:

Lift the pay ceiling

21. HOW DO YOU FEEL ABOUT THE JOB YOU ARE LEAVING? WHAT WAS MOST SATISFYING ABOUT IT? WHAT DID YOU LIKE LEAST ABOUT IT?

a. Attitudes and opinions

Tremendous opportunity - Great people to work with, stimulating work, great learning experience.

b. Suggestions for improvement:

22. WHEN AN EMPLOYEE IS TRANSFERRING TO ANOTHER AGENCY OR GOING INTO PRIVATE INDUSTRY, THE INTERVIEWER MAY SAY, "I'M INTERESTED IN HEARING ABOUT YOUR NEW JOB AND WHY YOU DECIDED TO MAKE A CHANGE. . . ."

COMMENTS:

Time to gain exposure to private practice — money

SF 52 - Revised March 1980
U.S. Office of Personnel Management
FPM Chapter 296

Request for Personnel Action

PART I – REQUESTING OFFICE: Unless otherwise instructed, fill in all items in this part except those inside the heavy lines. If applicable, obtain resignation and separation data on reverse side.

1. Name (Caps) Last-First-Middle Mr.-Miss-Mrs.-Ms.: (Mr.):
2. (For Agency Use):
3. Birth Date (Month, Day, Year): 12-26-45
4. Social Security No.:

A. Kind of Action Requested
1. Personnel (Specify Appointment, Reassignment, Resignation, Etc.): Resignation
2. Position (Specify Establish, Review, Abolish, Etc.): Associate Director

B. Request Number: 3209-81 P-1
C. Date of Request (Month, Day, Year): 08-04-81
D. Proposed Effective Date: 09/05/81
E. Position Sensitivity:

5. Veteran Preference ☐ 1-No 2-5 Pt. 3-10 Pt. Disab. 4-10 Pt. Comp. 5-10 Pt. Other 6-10 Pt./30% Comp.
6. Tenure Group:
7. Service Comp. Date Leave (Mo., Da., Yr.):
8. Leave Blank
9. FEGLI ☐ 1-Covered (Regular Only-Declined Optional) 2-Ineligible 3-Waived 4-Covered (Reg. and Opt.)
10. Retirement ☐ 1-CS 2-FICA 3-FS 4-None 5-Other 6-CS Special
11. Leave Blank
12. Nature of Action Code:
13. Effective Date (Month, Day, Year):
14. Civil Service or Other Legal Authority:

15. From: Position Title and Number: Supervisory Attorney-Adviser (Finance) Associate Director MR-0563
16. Pay Plan and Occupational Code: ES-905
17. (a) Grade or Level: ES (b) Step or Rate: 02
18. Salary: $50,112

19. Name and Location of Employing Office: Division of Market Regulation
Office of Associate Director (Legal Policy and Trading Practices)
#45020 ✓
PSN# 89 ✓

20. To: Position Title and Number:
21. Pay Plan and Occupational Code:
22. (a) Grade or Level (b) Step or Rate:
23. Salary:

24. Name and Location of Employing Office:

RECEIVED
AUG 7 1981
OFFICE OF THE COMPTROLLER
BUDGET BRANCH

25. Duty Station (City-County-State): Washington, DC
26. Location Code: 11-0010-001
27. Appropriation:
28. Position Occupied ☐ 1, 5, 6-Competitive Service 2, 7, 8-Excepted Service 3-SES General 4-SES Career Reserved
29. Leave Blank

F. Remarks by Requesting Office (Continue on Reverse):

G. Requested by (Signature and Title) (Leave Blank on Resignations):

H. For Additional Information Call (Name and Phone No.): Jan Smith 272-2834 MR-81-159

I. Request Approved by (Signature and Title): Sheldon Rappaport
Sheldon Rappaport, Deputy Director

PART II – TO BE COMPLETED BY PERSONNEL OFFICE (Also Complete Items Inside Heavy Lines Above.)

J. Position Classification Action: ☐ Identical Additional ☐ New ☐ Vice ☐ Regraded NR

K. Clearance	Initials/Signature and Date
(1) PAYROLL	E Rance
(2) Ceiling or Position Control	8/7/81
(3) Classification	Mm 7/13/81
(4) Placement or Employment	Vacant BY 8/10/81
(5)	Noath, No. Vouchers JJA 8/11/81

(6) I certify to the accuracy of the information entered on this form and that the proposed action is in compliance with statutory and regulatory requirements. Approval Signature and Date (Month, Day, Year)

(7) Remarks (Note: Use Item 30 on Reverse for SF 50 Remarks.)
Qualification Standard
LSP 72 @ 21.39 = 2,216.28

NSN-7540-00-634-4004
Previous Edition Usable
8/13/81

52-110

PART III – TO BE COMPLETED BY EMPLOYEE

Reason for Resignation (Important Note to Employee: Give specific reasons for your resignation. Avoid generalized reasons.)

I am leaving the Commission to return to the private practice of law. The economic hardship imposed by the lack of comparability between government salaries and compensation in the private sector, which is aggravated by the current pay cap, makes it impossible for me to continue in government service.

Effective Date of Resignation (Month, Day, Year)	Employ gnature	Date Signed (Month, Day, Year)
September 5, 1981		August 5, 1981

PART IV – SEPARATION DATA (To be Completed by Employee When Possible)

Forwarding Address for Communications, Such as Salary Checks and Bonds (Number, Street, City, State, and Zip Code)

New York, New York 10022

PART I – (CONTINUED)

F. Remarks by Requesting Office

PART II – (CONTINUED)

30. SF 50 Remarks

☐ Subject to completion of 1 year probationary (or trial) period commencing: ____________

☐ Service counting toward career (or permanent) tenure from: ____________

☐ Successor Position-Employee retained in the competitive service.

☐ Check, if separated during probation.

Separations: Show reasons below, as required.

RECEIVED
AUG 13 1981
SECURITIES & EXCHANGE COMMISSION
OFFICE OF PERSONNEL

Sup./Mgr. Indicator	Work Schedule	Pay Rate Determ.	Special Prog. I.D.	Educational Level	Yr. Degree Att. ned	Academic Discipline

☆ U.S. GOVERNMENT PRINTING OFFICE : 1980 O - 311-153 (6148)

TENNESSEE VALLEY AUTHORITY
KNOXVILLE, TENNESSEE 37902

OFFICE OF THE BOARD OF DIRECTORS

AUG 18 1981

The Honorable Ted Stevens, Chairman
Subcommittee on Civil Service, Post Office
and General Services
Committee on Governmental Affairs
The United States Senate
Washington, DC 20510

Dear Mr. Chairman:

We appreciate the opportunity to provide the information requested in your July 31 letter on the difficulty being experienced by TVA in retaining and recruiting upper level managers because of limitations on Federal executive salaries.

As you may recall, TVA's problems in this area were among the examples included in your December 10, 1980, floor statement in support of lifting the "pay cap" on Federal executive salaries. We regret that these problems have steadily worsened since last December and are imposing a serious burden on TVA's efforts to carry out its responsibilities in the most cost-effective and efficient manner feasible. The enclosed paper, "TVA Executive Salaries," provides our most recent information on the details of these problems.

Under the provisions of the TVA Act, TVA and its employees are not generally subject to the civil service laws. This exception was provided to allow TVA to manage its personnel system with the same kind of flexibility as a private corporation. This flexibility has been and continues to be an important factor in TVA's ability to efficiently manage the Nation's largest electric system.

At the upper end of the salary scale, however, TVA's traditional flexibility has broken down in recent years. The Chairman of the TVA Board is paid at Level III on the Executive Schedule; the other two directors are paid at Level IV. The TVA Act prohibits any TVA employee from receiving a salary in excess of the directors', currently $52,750. The Commission on Executive, Legislative, and Judicial Salaries pointed out that these "frozen" levels amount to a roughly 40-percent reduction in purchasing power since 1969. The directors' salaries, therefore, serve as a "cap" for TVA's upper level executive salaries which has caused the salary gap between TVA executives and comparable executives in the private sector to widen considerably.

We do not believe that Government, including TVA, has to pay the full private sector rate to attract and retain top executives. However, the difference does have to be within reason. We are sad to report that the gap between Federal and private executive salaries now has become unreasonable and is exacting substantial sacrifices from those high level Federal executives who choose to remain in the Federal Government. It should not be surprising that even the most dedicated Federal executives are starting to evaluate career opportunities outside the Federal Government because their salaries have seriously eroded in the face of inflation and high interest rates. Many of these executives could earn between two and three times their present salary if they worked in the private sector.

These problems are especially acute for TVA. Among other things, TVA operates the Nation's largest electric system and one of its largest engineering and construction firms. On a more direct basis than Federal agencies generally, TVA must compete for executive talent with private industry in fields that suffer from a shortage of skilled personnel. TVA has never been a "revolving-door" agency; and its losses in top executives are losses without replacements, especially with today's frozen salary levels.

This situation could not come at a worse time. The electric utility industry generally is beset by rapidly increasing power rates, construction costs, demands for new capital, and the added complexities and requirements of nuclear power generation. These are extremely difficult problems to solve in the best of circumstances, and TVA is being prevented from acquiring and retaining the executive talent required to deal with them. The consumers of TVA power will ultimately bear the consequences.

Moreover, we do not believe the shortages of executive talent are being created only at the top levels. Those levels are only the most visible. There is also a very real pressure on the best younger professionals to leave for private industry, where their earning potential is much greater than with TVA. The full impact of these losses may not be completely felt for another few years, but ultimately the internal pool of executive talent will be further depleted.

We regard executive salary levels as a major short-term and long-term problem; and, unless this problem is remedied in the very near future, its potential consequences are ominous. Yet, we cannot pay appropriate salaries unless Congress acts to remove or modify the statutory restrictions which are effectively freezing Federal executive salaries.

We appreciate your interest in this matter and would be glad to provide whatever additional information you might wish.

Sincerely,

C. H. Dean, Jr.
Chairman

Enclosure

TVA EXECUTIVE SALARIES

TVA is losing the top-level experts and managers who build, operate, and maintain the TVA power system--the Nation's largest--and is virtually precluded from employing qualified replacements.

In 1973 Coopers & Lybrand, TVA's independent auditors, prophetically asked:

> If the present salary policies continue into the future, will such well trained [TVA power system] personnel be satisfied with their compensation or will they decide to accept higher compensation elsewhere?

In 1980-1981 they have their answer:

-- The second ranking executive in TVA's electric power program recently left for private employment with a nuclear engineering firm.

-- The Director of TVA's Division of Nuclear Power--the country's most extensive nuclear generating program--has taken a position with another utility having only one nuclear plant, at double his TVA salary.

-- An Assistant Director of Nuclear Power has announced his plans to take a position with a Texas utility in its nuclear program.

-- The person who for the last seven years led TVA's 2700-person in-house engineering design organization in the design of 17 of the Nation's largest nuclear power units (an $18 billion construction program) resigned in 1980. His $51,200 per year salary at TVA could not compete with a high-paying executive job with one of the country's leading nuclear plant architect-engineering firms.

-- This executive was soon followed by one of his chief assistants, a skilled and experienced senior engineer. Both received substantial increases in salary and fringe benefits.

-- An assistant director of power plant operations and a nationally recognized expert on fly ash emission control resigned in March 1980 to work for a major boiler rehabilitation company.

- The two leaders of TVA's coal purchasing operations (TVA is the Nation's largest coal purchaser) left for more salary and a great deal more fringe benefits and salary potential with the private coal industry.

- The chief of TVA's electric power rate branch, an economist who came to TVA from a large northeastern utility three years ago, resigned his $39,410 a year job to accept a position with a large private engineering and utility consulting firm at a salary much more than TVA can pay.

- The head of TVA's nuclear plant simulator training section--which trains NRC inspectors and nuclear plant operators for TVA and some private utilities--and three of his assistants left en masse, attracted away by a South African government-owned power system that will more than double their TVA salaries and provide housing.

This is not all. In the 18 months alone, TVA has lost more than a dozen executive-level managers, solely because of opportunities available to them in the private sector at greatly increased compensation. In most cases, their new jobs are nearly the same as those they performed for TVA. In some cases, the scope of their responsibilities has been reduced. Each of these individuals played a vital role in TVA's power program.

The number of TVA managers leaving to enter private industry is increasing at an alarming rate--1980 by far the worst year yet. And it is not limited to high-level managers A person moving up in the TVA power organization who reaches a middle-management position with an annual salary of $45,185 can see that his future salary is seriously restricted. Although there are still six management levels to the top, there is only $7,000 in pay to be gained.

The Quadrennial Commission on Executive, Legislative, and Judicial Salaries recently pointed out that incumbents of Federal executive positions have suffered a reduction in purchasing power of roughly 40 percent since 1969. While the Consumer Price Index rose more than 130 percent during that period of time, and top management salaries in private industry increased about 125 percent, executive salaries in the Federal Government increased by only about 40 percent. The Commission recommended in the fall of 1980 that executives at Levels III and IV receive salary increases of 42-44 percent, but that recommendation was not accepted and executive salaries remain frozen.

TVA is prevented from paying the prevailing wage to its executives as it does to the rest of its employees.

The TVA "brain drain" is the result of Section 3 of the TVA Act, which prohibits any TVA employee from receiving a salary in excess of that received by members of TVA's Board of Directors. Those directors are presently paid at Levels III and IV on the Executive Schedule, currently $55,387 and $52,750, respectively. These salaries are fixed by Congress.

TVA has always fixed the salary of its employees at the "prevailing wage." Indeed, the TVA Act provides for it. This has served TVA well over the years, permitting it to recruit and retain a workforce of competent, trained, and loyal employees at all levels. But, top TVA executives no longer receive the prevailing wage, nor anything approaching it. The prevailing wage for some TVA positions are 2 to 3 times the present TVA salary. There has not even been a significant cost-of-living increase for TVA executives in about 4 years. TVA executives in this category comprise less than four-tenths of 1 percent of all TVA employees. However, these are the employees who are charged with the most critical responsibilities of the TVA power system.

The TVA power system and its customers are being hurt.

TVA is committed to operating the safest and most efficient power system in the country. In order to do so, it must attract and keep a large staff of experienced and extremely competent executives. Traditionally, TVA has maintained such a staff, but today it is becoming increasingly difficult.

The extremely low ceiling on TVA power system salaries is having several broad-reaching adverse effects on the TVA power system:

1. There is increasing difficulty in retaining skilled power system managers and professionals. They know they can leave TVA and claim the higher salaries available in private power systems and engineering firms that their skills and experience command. Many have done this, and the TVA system loses the skills and experience it has helped to create.

2. TVA is handicapped in attracting new employees at all levels, including top graduates who can find greater opportunities for advancement elsewhere.

3. TVA is becoming the utility industry's training ground--at the TVA ratepayers' expense.

4. Among those who do stay, the incentive to take on more responsibility within the TVA power system organization is removed, since there is little increase in pay for the extra work. TVA is beginning to see reluctance on the part of its managers to accept promotion, particularly those involving

geographic relocations. Generally such a move involves a net loss for the manager financially, in return for higher levels of responsibility.

In each case, the power system and its ratepayers suffer. One of the best investments any organization can make is in the quality of its managers, experts, and professionals. The TVA Board of Directors is struggling to operate the Nation's largest, safest, and most efficient electric power system with one arm tied behind its back. Only with top-caliber personnel can the Board hope to meet TVA's congressional mandate to provide ample supplies of electric power at the lowest feasible cost.

TVA salaries compare unfavorably with those doing comparable work.

Although most other traditional Federal agencies have a similar ceiling imposed on their employee salaries, they do not have to compete in the same job market as TVA does for power system managers and engineers. Unlike other agencies, which compete largely in the governmental and nonprofit organization job market, TVA must compete with private industry in fields that suffer from a shortage of skilled personnel and in an industry that traditionally pays much larger salaries. The TVA power system "yardstick" will get a little short if TVA cannot compete effectively in this job market.

Among these persons are

(1) those responsible for the operation and safety of 50 dams, 12 large coal-fired power plants, and the Nation's largest nuclear plant;

(2) those responsible for the safe design and construction of six more large nuclear plants;

(3) those responsible for the safe disposal of spent nuclear fuel and other radioactive wastes; and

(4) those responsible for arranging the lowest cost ways of borrowing $2 billion each year.

Moreover, TVA has never been a "revolving-door" agency. The successful operation of TVA's power program depends on its maintaining a large, permanent staff of experienced persons. The exodus of top-level managers, professionals, and engineers from TVA forebodes problems with efficient power system operations in the future.

TVA cannot replace these individuals by recruiting from the utility industry, because the salaries it is able to offer are too low. The TVA power program has recruited no individual from the private utility industry at any level above middle management. Indeed, the TVA system is becoming the training ground for private power systems. TVA's few managerial recruiting successes are those from other Federal agencies.

Although it is the express policy of Congress that Federal pay rates be comparable with those in private enterprise for similar levels of work, TVA has not been able to implement that policy because of the statutory ceiling on TVA salaries.

Of course, the salaries of top management are almost always a ceiling on the salaries of their employees, even in private industry. But, private industry "ceilings" in the fields with which TVA must compete are much higher. A 1980 comparison with private electric power systems illustrates this:

COMPANY	POSITION	ANNUAL SALARY*
TVA	Chairman	$ 55,400
TVA	General Manager	52,250
American Electric Power	Chairman	287,000
American Electric Power	President	176,000
Southern Company	President	288,000
Commonwealth Edison Company	Chairman	$207,000
Alabama Power Company	President	176,000
Florida Power and Light	Chairman	260,000
Florida Power and Light	President	170,000

*Business Week, May 11, 1981

A 1979 survey of 54 utilities with revenues over $1 billion (TVA revenues are about $4 billion) indicates the following salary comparison:

TITLE	UTILITY INDUSTRY** SALARY	TVA SALARY	TVA TITLE
Chief Executive Officer	$245,400	$55,387	Chairman
Chief Operating Officer	174,500	52,250	General Manager
Executive Vice President	136,800	51,700	Manager of Power
Top Marketing Executive	98,400	50,700	Director of Energy Use
Long Range Planning Executive	78,500	50,700	Chief Economist

TITLE	UTILITY INDUSTRY** SALARY	TVA SALARY	TVA TITLE
Top ADP Executive	66,800	47,500	Director of Management Systems
Industrial Relations Executive	75,000	50,700	Director of Personnel
Top Engineering Executive	81,100	51,200	Manager of Engineering Design
Controller	79,300	50,700	Comptroller
Top Legal Executive	122,400	51,700	General Counsel
Top Public Relations Executive	76,500	50,700	Director of Information
Top Purchasing Executive	55,400	50,700	Director of Purchasing

**Executive Compensation Service, American Management Association

This salary discrepancy is even more critical in light of a recent article in The Wall Street Journal that reported utility executive compensation lags as much as 60 percent behind compensation at comparable manufacturing firms. Low pay was cited as a major obstacle to better utility management.

Other recent salary information also indicates severe problems:

TVA TITLE	INDUSTRY SALARY	TVA SALARY
Medical Director	$85,000	$50,700
Physician	$54-61,000	$43-49,000
Director of Fuels	$72,000	$50,700
Director of Nuclear Power	$65-100,000	$50,700
Nuclear Plant Superintendent	$56,000	$47,000
Manager of Engineering Design and Construction	$92-105,000	$51,700
Manager of Construction	$55-92,000	$51,200

Many private companies calculate executive salaries as a percentage differential over the salary of the level supervised. For example, in utilities, the chief operating officer receives a salary that averages 71 percent of the chief executive officer's salary. An executive vice president receives 54 percent of the chief executive officer's salary. In TVA, those differentials are 94 percent and 93 percent, respectively. The increase in pay between these levels is not at all commensurate with the increase in responsibility.

This is one of the clearest indications of the problems that salary compression is creating.

Concern with the adverse effects of TVA's salary ceiling has been expressed by outside consultants.

Pay levels for top-management employees was one of the areas addressed in Booz-Allen & Hamilton's recent 12-month comprehensive management audit of the TVA power system. Booz-Allen concluded that--

> Upper management level salaries do not sufficiently reflect positive responsibilities and are below the utility industry average.

Its 3-volume report on the power system stated that the salary structure for top management employees restricts the power system's ability to

1. pay competitive salaries, particularly for key employees;
2. recognize differences in level and scope of responsibilities among positions; and
3. reward above-average performers with better than average salary actions.

But, the worst conclusion was Booz-Allen's predictions as to the effect on the TVA power system if the salary ceiling problem is not resolved:

1. High turnover of high-potential employees.
2. Unwillingness of good employees to accept promotions into higher levels of responsibility.

Coopers & Lybrand, the independent auditor for the TVA power system, foresaw this problem in its 1973 comments and recommendations letter following its FY 1973 audit:

> We recognize that there exists among the personnel of the TVA a dedication to public service and that the turnover of personnel has, in the past, been low. However, in view of today's and probably tomorrow's business environment, we question whether such dedication will continue to exist and will overcome competitive pressures in the job marketplace. As a result of TVA's leadership role in the production of electricity and development of prototype fossil fuel and nuclear electric plants, its personnel receive extensive training and experience. If the present salary policies continue into the

> future, will such well trained personnel be satisfied with their compensation or will they decide to accept higher compensation elsewhere?

TVA's personnel system for top managers is like that of a private corporation.

TVA was organized in corporate form to give the agency the flexibility and initiative of a private corporation. The TVA Board has the authority to establish an independent personnel system, and has exercised this authority particularly in regard to its top managers. The current TVA Board has focused substantial attention on the performance and skills of these top managers.

Thus, to assure a management cadre that is responsive to the demands of the power system and the consumer, the Board has established its own strong management program to judge the top TVA staff solely on the basis of merit and to make clear that any manager's continued employment is at the will of the Board. However, only the more negative aspects of that accountability are now being fully implemented. Having put these persons in the highly demanding, high-risk positions at the head of the agency, it is now incumbent on TVA to adequately compensate them for their service. This point is not lost on TVA executives, who must wonder if the performance that is demanded of them is worth it.

Summary

Admittedly, many people work for the Government out of a sense of public service, and TVA and other agencies need to take advantage of that fact. But, that sense of patriotism cannot make up for the substantial shortfall in TVA salaries. The levels of responsibility demanded of TVA power managers and advisers, the greater risks in their employment situation, and the much higher salaries available to them outside TVA make a change in salary fair to the managers and essential to TVA and its ratepayers.

810728

THE POSTMASTER GENERAL
Washington, DC 20260

August 31, 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil
Service, Post Office, and
General Services
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Ted:

This is in response to your letter of July 31, asking whether the Postal Service has problems recruiting and retaining senior executives because of inadequate pay.

Our senior management cadre is relatively small for the size of our organization: 37 Officer positions and 800 Postal Career Executive Service (PCES) I positions. As you know, the Postal Service has for some time followed a general policy of "promote-from-within" for all management positions. As a result, the problems created for the Postal Service by the present ceilings on executive salaries may differ somewhat from other government agencies.

Since nearly all our executive positions are filled from within the Service, we do not have a substantial amount of external recruitment at that level. The exception is management positions in technical areas such as Information Resources and our Law Department, where we are experiencing recruitment difficulties.

We do have a serious and growing problem recruiting from our own ranks for key executive-level vacancies throughout the country. The salary ceiling and the resulting salary compression serve as disincentives in attracting our own people to assume higher-level responsibilities. Compounding the problem is the general reluctance of an increasing number of executives to relocate, especially to high cost-of-living areas, when we can offer only minimal salary raises or none at all.

I also anticipate increasing difficulties retaining our best postal executives under the present salary ceiling. Our future Officers and senior managers are comparatively young, well-educated, and have skills marketable outside our organization. They are faced with salary stagnation at an early age; consequently, greater numbers of these valuable employees are leaving the Postal Service for higher compensation elsewhere.

Finally, we have a growing morale problem resulting directly from the present ceiling on salaries. It has become very difficult to maintain reasonable salary differentials between jobs of differing levels of responsibility. Also, a large number of our executives no longer benefit fully from our performance (merit) award program.

The problems created by the salary ceiling will multiply during the next year as the number of executives paid at the ceiling increases dramatically. At the end of FY 1979, twenty-two executives were paid the ceiling; one hundred have now reached that level. Another two hundred executives will reach the ceiling within the next year. At that time, thirty-five percent of our executives will have reached their full salary potential.

Enclosed is a discussion of these points with greater detail than I have provided here. At present, the situations created by the ceiling on salaries are the most pressing executive-level personnel problems the Postal Service faces.

Sincerely,

Bill

William F. Bolger

Enclosure

Effects of the Present Executive Salary Ceiling

Recruitment Outside the USPS

The Postal Service does not recruit for a substantial number of executive positions from outside the Service. With few exceptions, our eight hundred executive jobs, particularly at the senior level, require talent that is available within the organization. During the past year, our external recruitment problems have occurred primarily in the area of data processing/information management and legal resources.

Two key Office Director positions in our Information Resources organization recently remained vacant for nearly eight months while we attempted to recruit experienced people from outside the USPS. The salaries we could offer were inadequate to attract managers experienced in large information systems such as the Postal Service's systems. Two more General Manager positions in that area remain vacant for the same reason.

Recruiting and retaining skilled lawyers is becoming increasingly difficult at all levels of our legal staff. The present executive salary ceiling has forced the salary ranges of our professional and mid-level management EAS grades to remain at relatively low levels compared to private sector attorney compensation. A January 1981 independent survey found that the median salary for in-house attorneys in one hundred thirty-five corporations was $56,710. Our highest paid PCES I attorney receives $50,112. We expect the pay issues to severely hamper our efforts to recruit new attorneys and retain experienced individuals over the next few years.

Recruitment Within the USPS

It is becoming increasingly difficult to fill key executive positions from within the Service because of the maximum salary limitation and the resulting compression in executive salaries.

Our Postal Career Executive Service (PCES) positions are at many different levels of responsibility. Executives at each level are logical candidates for advancement to the next higher level of responsibility. Yet, with the salaries of all executives compressed within a relatively narrow range, there is no substantial financial incentive for executives to seek or even accept more responsible jobs.

To complicate the problem, most of our critical executive positions are at USPS Headquarters, the five Regional Headquarters, and the large Sectional Center Post Offices. These organizations are located in the highest cost-of-living areas of the nation. Our executives cannot be compensated enough to offset the additional living costs incurred by moving to one of these areas.

For example, the position of Regional Director, Mail Processing, at our Northeast Regional Headquarters has been vacant since January. Because the duty station is New York City, none of the executives identified as most qualified and suitable for this critical job has been willing to accept relocation, due primarily to our inability to pay enough to compensate for the extremely high living costs. A similar situation now exists with the General Manager, Real Estate Division position in our Western Regional Headquarters and with other key postal management positions throughout the country.

Our executives are expected to acquire more responsibility and to be mobile--to meet postal needs as well as their own career needs. Nevertheless, it is unrealistic to continue to expect our best executives to accept greater responsibility for little increase in pay--or by relocating, to accept reductions in their living standards--in order to meet those needs.

Our difficulties in recruiting executives for higher level jobs in higher cost-of-living areas for minimal or no salary increases is further compounded by the present high mortgage interest rates. It is not uncommon for our executives to be faced with an increase in annual mortgage payments which far exceeds any salary increase they receive as a result of their move to a more responsible job.

Retention of Postal Executives

With an increasing number of postal executives at, or very near, the present salary ceiling we foresee a rising trend of dissatisfaction within our executive corps which will translate into increasing retirements, and more resignations to pursue private sector careers.

The vast majority of postal executives have many years of service with USPS and therefore have a strong loyalty to the Postal Service and a large vested interest in the federal government retirement program. Despite these incentives for remaining with the USPS, we continue to see individuals leave for private sector employment. Those leaving tend to be highly capable, younger executives who see no, or little, room for income growth if they stay with the government. Often these people have not yet reached the salary ceiling but can predict that they will "top-out" within a year or two. Such was the case recently with our General Manager, Accounting Division, and one of our most capable executive-level lawyers.

Our largest group of retirement-eligible executives are in field positions where salaries have traditionally been lower than, for instance, at Headquarters. Consequently, until recently many executives who retired were not at the salary ceiling. With the anticipated growth in the number of executives both at ceiling and eligible to retire, we expect to see a sharp increase in retirements.

Currently, the Postal Service's largest concern related to the retention of executives centers not on those eligible to retire but on our younger, high caliber executives. Many of these individuals, who have demonstrated potential for ultimate advancement to senior executive positions, have progressed through "fast track" management development programs. They are now reaching upper mid-level management positions at relatively young ages. They face the prospect of years of little or no salary progression during a period of life which is normally highly productive and when family income demands are greatest.

These younger executives are highly educated and have marketable management and technical skills. Lacking a financial incentive to remain with the Postal Service they may be induced by significantly greater private sector compensation to leave Postal and Federal service. Our investment in these younger managers will then be forfeited and our future left to less capable individuals.

Other Related Issues

In addition to executive-level recruitment and retention problems created by the present salary ceiling, potentially serious morale problems arise from the ceiling and resulting salary compression.

Currently, one hundred of our executives are paid the maximum salary. A year from now that number could be as high as three hundred. Once at the ceiling, relatively little can be gained financially from our performance award program. Having approximately thirty-five per cent of our executives ineligible for salary increases earned by superior performance is bound to have long term negative effects on the Postal Service.

The salary ceiling of $50,112 has had ripple effects down through our mid-management and professional positions. In order to maintain salary differentials which match differing levels of responsibilities, it has been necessary to maintain relatively low ceilings on the EAS grade and salary structure. That will ultimately create problems similar to those experienced and anticipated at the executive levels.

Office of the
Administrator
of Veterans Affairs

Washington, D.C. 20420

Veterans
Administration

SEPTEMBER 8 - 1981

Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
Post Office, and General Services
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I am pleased to respond to your July 31, 1981, request for information on the impact the executive pay cap has had on the recruitment and retention of VA Senior Executives.

On July 13, 1979, we appointed 244 career senior executives to the newly created Senior Executive Service. Since that time 73 career executives have retired. While I cannot provide specific documentation on the extent to which the current executive pay situation influenced each executive's decision regarding retirement, some executives indicated that the continuing executive pay cap and the cost-of-living increases available to them as retirees significantly influenced their decision to retire.

Most Senior Executive Service (SES) vacancies in the VA are filled through merit competition, and there have been a sufficient number of quality applicants for most vacancies. In addition, it does not appear that the executive pay situation has deterred career employees from applying to the VA SES Candidate Development Program.

While it is difficult to provide "hard facts" on the extent to which the executive pay situation has created recruitment and retention problems in our agency, a problem may exist. In September 1980, the Office of Personnel Management asked us to provide to the Commission on Executive, Legislative and Judicial Salaries information on this issue. At that time VA Departments and Staff Offices assessed the impact of the salary ceiling on their programs, and we received informative responses from them. I believe these comments are still timely, and I am enclosing pertinent portions of them for your information. While I support recent actions to continue the executive salary ceiling, I believe career executives should get relief from these constraints when the fiscal climate permits.

I appreciate the opportunity to comment on this important issue.

Sincerely,

ROBERT P. NIMMO
Administrator

Enclosure

ENCLOSURE

"We recently solicited applicants for the position of Assistant Administrator for Construction from sources within and outside the Federal Government. This is one of VA's most important executive positions, responsible for managing all aspects of VA's billion dollar construction program. While more than half of the 94 applicants were from private industry or self employed, we were unable to attract private sector applicants who currently hold positions comparable in scope and responsibility to the one we were trying to fill. In view of The Conference Board's report on Top Executive Compensation (1978 Edition) which shows annual median executive compensation in the construction industry at $120,000 for the chief executive officer, $84,000 for the second highest paid executive, and $64,000 for the third highest paid executive, it is clear that the lack of high level private sector candidates was due to Federal salary limitations."

"As you know, pay for all these positions currently is frozen at $50,112.50. This compression of pay has created serious morale problems among our key executives, and is forcing some of them to resign. This pay compression already has spread to our District Counsel offices. There are 16 GS-15 District Counsel offices at this time, and pay for employees of two of these offices already has been frozen. This will increase dramatically next year when a total of 10 of the employees in these offices will be earning the same as the General Counsel."

"This problem among our current executives actually is understated, because the freeze of executive pay has forced several of our senior employees to retire in the last several years. For example, in the last two years three of our Assistant General Counsels, and six of our District Counsels retired so that they could receive the cost-of-living increases which were available to them only under the retirement system. We can expect to lose more of our most productive managers next year as those who are subject to the freeze increases."

ENCLOSURE

2.

"We recently lost to retirement a Deputy Inspector General who retired at the earliest possible eligible time. In particular, it is felt that this can be attributed to the fact that salary paid would not be significantly more than salary received in retirement, when considering the reduction in transportation, parking, food, clothing and other costs attributable to employment and the tax consequences."

"Within the last few months I have explored with GS-15 senior audit managers in field offices whether they would be willing to take an SES position in Washington, D. C. In each of these approximately one-half dozen instances, the audit managers declined to do so. Not only is there no financial incentive to move and take on a position with increased responsibility, but there is a definite financial disincentive to making such a move. The high cost of housing, the high mortgage rates, and higher cost of living induce these senior managers to remain in their situation where they obtain housing at a lower cost and with a lower interest rate. In addition, when we recruited for the second Deputy Inspector General position, one of the three final candidates withdrew from consideration because of the same reasons that the field audit managers declined to move to Washington."

"I have no specific evidence to document the effect of the executive pay on morale and performance of executives and it may be impossible to ever document. Having said this, however, in my opinion, you can sense and feel that the limitation does have a negative effect on morale and performance."

"Morale and high quality performance are difficult to judge objectively, but I do feel that people will not behave as executives if you do not treat them as executives, including providing appropriate and comparable executive pay."

3.

"The overall effectiveness of agency programs is likely to be affected in the near future. As younger executives move into SES positions, "frozen" executive pay rates are likely to "force" these individuals to look outside Federal Government. Executives in the 35-45 year age range will be in their prime and have their best opportunity to move into the private sector, if Federal executive pay does not keep pace."

"In Fall 1979 the Department of Medicine & Surgery experienced extreme difficulty in filling its six Regional Director positions. Because of the executive paycap all of the leading candidates refused to move to Washington, D.C. since such a relocation would cost them money because of the necessity of moving to a high cost of living area. As a result, DM&S modified its plans and located 5 of the 6 Regional Director positions in the field."

Senior Executives Association

JUN 15 REC'D

June 9, 1981

Mr. Jamie Cowen
Chief Counsel
Civil Service, Post Office and General Services
57 Capitol Hill Apts.
Washington, D.C. 20510

Dear Jamie,

As you know, it has been the concern of the Senior Executives Association for the past few months to demonstrate to the new Administration and general public alike the need for higher salaries within the Senior Executive work force. Because of the paycap to which Senior Executives are bound, including the artificial limitations it sets on salaries and the lack of incentive it creates among executives, the Government has been unable to keep its top officials, or to attract qualified applicants from the private sector.to fill in vacant Senior Executive Service positions.

Enclosed are copies of six letters received from high level officials of private industry citing salary limitation as the primary reason for not recommending candidates for specific top level positions. These letters are vivid examples of the Government's inability to compete with private industry, and focuses specifically upon the counter-productive results produced by the use of an artificial pay ceiling. It is my sincere hope that such evidence will re-emphasize the need for new legislation that will increase the pay of Senior Executives.

Thanks for all of your help in the past. Please call us if we can provide you with any further information.

Personal Regards,

G. Jerry Shaw
President
376-1555

P.O. BOX 7610 • BEN FRANKLIN STATION • WASHINGTON, D.C. 20044

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
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LEXINGTON, MASSACHUSETTS 02173

Area Code 617
862-5500

6 January 1981

Dr. Robert S. Wiseman
Assistant Deputy for Science
and Technology
Department of the Army
Headquarters U.S. Army Materiel
Development and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Dr. Wiseman:

The requirements the position described in the vacancy announcement are inconsistent with the actual salary available. All of the candidates I have considered for the position whom I feel are qualified would have to make a considerable sacrifice of income and, in addition, move to a high cost of living area.

Accordingly I do not feel free to submit nominations for this or similar government positions until the Congress takes some sensible actions about salaries for our Senior Executive Service.

Sincerely,

Jerome Freedman
Jerome Freedman
Assistant Director

JF:rl

Recd: 14 Jan 81
cc: Ms Sykes

HUGHES AIRCRAFT COMPANY
CULVER CITY, CALIFORNIA 90230

JOHN L. McDANIEL
SENIOR CONSULTANT

17 February 1981

Mr. Robert S. Wiseman
Assistant Deputy for Science
and Technology
Department of the Army
Headquarters US Army Materiel
Development and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Bob:

I am enclosing a resume of Col. E. P. Eaton, Jr. Ret. for consideration to fill the position of Scientific Advisor (Logistics Combat Development), US Army Logistics Center, Ft. Lee, VA. I do not know Col. Eaton personally however, I have great confidence in the thoughts of Mr. Joe Garafalo of Hughes Aircraft Company. I would recommend that Col. Eaton be considered for the position.

I have made a number of contacts with personnel in industry regarding this position, as well as other positions. In all cases, I find that the person who could do the job cannot afford to leave industry and come to work for government for salary reasons. Therefore, I believe that the positions will have to be filled from within government. There are a lot of advantages to filling the position from within government; however, the option to fill from industry should be available to you. I believe the only solution is to work to have the salaries of the top people increased to be compatible with people in industry with commensurate responsibilities.

I appreciate you sending me the announcements and I will continue to work to try to find qualified personnel.

Sincerely,

John L. McDaniel

25 FEB [illegible]

Enclosure

Orig: Mr Sykes

Dynetics, Inc.

17 February 1981

Department of the Army
Headquarters U.S. Army Materiel
Development and Readiness Command
ATTN: Robert S. Wiseman, Assistant Deputy
for Science and Technology
5001 Eisenhower Avenue
Alexandria, VA 22333

Dear Mr. Wiseman:

I appreciate the opportunity to recommend candidates for the position of Director, Discrimination Directorate, Ballistic Missile Defense Advanced Technology Center (BMDATC), Huntsville, Alabama. The vacancy announcement that accompanied your letter reflects the high standards of technical excellence and managerial capabilities that the candidates must possess. It is my opinion that certain individuals within BMDATC and in private industry might provide the executive management expertise required to assure successful completion of major programs and studies.

When I view these individuals as a group, two important factors concerning the salary range become apparent. First, those individuals presently within BMDATC who might be eligible for this position are probably already within the salary range so that promotion would only increase their responsibilities and workload. Second, those candidates in the private sector who meet the qualifications have attained high-level executive positions that probably entail a better benefit program and a slightly higher annual salary. I am then forced to the conclusion that recommending an individual for the position would not be prudent unless some modification to the statute that limits the maximum salary is being contemplated.

Again, I appreciate the opportunity to reply to your letter.

Sincerely,

DYNETICS, INC.

S.M. Gilbert

S. M. Gilbert, Ph.D.
Senior Vice-President

SMG/lkb

25 FEB 1981

Orig. Mr. Syk—.

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RWB:s/80-235

November 5, 1980

Mr. Robert S. Wiseman
Assistant Deputy for Science and
Technology
Department of the Army
Headquarters U. S. Army
Materiel Development & Readiness Command
5001 Eisenhower Avenue
Alexandria, VA 22333

Dear Mr. Wiseman:

Your letter to Mr. Jack Bowers, President, requesting potential candidates for the position of Technical Director, US Army Electronics Research and Development Command, has been reviewed with several members of our senior management, and Mr. Bowers has asked that I reply.

We have made several efforts for other commands trying to find senior technical people who might accept senior executive positions in the Washington area. Trying to find a person with the high level of competency requested to take a position for $50K in the Washington area, and its high cost of living, has been very difficult. Unfortunately, we are unable to provide you with the names of any candidates for this position.

Sincerely yours,

Roger W Brown

Roger W. Brown
Corporate Director
Industrial Relations

Rec'd: 10 Nov
Orig-to Mr. Sykes

Telecommunications and Electronics
Group—North America

ITT Gilfillan

A Division of International
Telephone and Telegraph Corporation

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November 3, 1980

Mr. Robert S. Wiseman
Assistant Deputy for
Science and Technology
Department of the Army
Headquarters US Army Materiel
Development and Readiness Command
5001 Eisenhower Ave.
Alexandria, VA 22333

Dear Mr. Wiseman:

Mr. Souveroff has asked me to respond to your letter dated 16 October 1980 regarding engineers and scientists positions available at the Senior Executive Service level throughout the Department of the Army. Regretfully we do not have any suggestions to meet this critical need. As I am sure you are aware, the aerospace industry in general is in need of qualified technical talent as well. This problem is particularly acute in the Los Angeles area which causes us, on this issue, to be in competition with the government.

I am sympathetic with your mission, particularly under the current salary freeze conditions and the postretirement conflict of interest statutes. Unfortunately, I think such poor legislation may cause the US government to be exposed to less than the best candidates at a time when the US DOD is in need of the finest talent available. Through our industry associations we are making our thoughts known on this subject to the legislature and I hope we will see some improvements in the future.

We continue to remain proud and pleased with our relationships with the US Army Electronics Research and Development Command, and I am sorry we do not have any candidates at hand to suggest to you. On the other hand, should we be able to help you in any other way, please feel free to communicate with us in the future. We remain sympathetic to your cause and are anxious to help.

Sincerely,

V. L. Romiti
Vice President
Business Development

Recd. 10 Nov
Orig - Mr. [illegible]
VLR:mtb

Magnavox
GOVERNMENT AND INDUSTRIAL ELECTRONICS COMPANY
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DONALD J. LOOFT
VICE PRESIDENT AND
GENERAL MANAGER

(201) 529-1700

3 March 1981

Dr. R. Wiseman
Department of the Army
Hqs., U. S. Army Materiel Development
  and Readiness Command
5001 Eisenhower Avenue
Alexandria, Virginia 22333

Dear Dr. Wiseman:

In response to your 25 February 1981 requests, I regret I know of no candidates from the private sector whom I would consider minimally qualified and who might be available as nominees for the following positions:

1. Director, Research and Technology Division, Harry Diamond Laboratories (Vacancy Announcement DA 29-81).
2. Deputy Director, Combat Surveillance and Target Acquisition Laboratory, ERADCOM (Vacancy Announcement DA 18-81).

I'm sure you're well aware that engineers and scientists who have requisite educational and experience background for these high level positions are in great demand. The private sector consistently offers substantially better compensation packages, relocation allowances and other benefits than does the federal service, and does not require extensive personal employment and financial disclosures. It is unfortunate, but clearly it is true, that for these reasons the Government service at this time does not offer competitive opportunities.

[illegible]

Orig. Mr. Sykes

[From Time Magazine, Sept. 7, 1981]

FEDERAL PAY JAM

R. Max Peterson, chief of the U.S. Forest Service, earns $50,112.50 a year. So does Associate Chief Douglas Leisz. So, in fact, do the five deputy chiefs below Leisz, the eight associate deputy chiefs below them, and almost half of the 35 staff directors below the associate deputy chiefs. In all, 177 people at the Forest Service are at that salary level. Says Kenneth Rashid, a Consumer Product Safety Commission official: "Only a committed Marxist could love a system where everybody makes the same amount of money. It simply stifles ambition and creativity and hard work."

The problems began in 1978, when Congress, anxious to display its inflation-fighting zeal, put a cap on salaries paid to career bureaucrats. The unforeseen result: 6,000 senior managers now earn the same amount as some 30,000 subordinates who reached the limit by annual cost of living increases. Unless the ceiling is lifted, within two years 135,000 federal employees will be bunched together at the top scale. Says Acting Comptroller General Milton J. Socolar: "This situation is absurd."

Frustrated career executives are leaving federal jobs in droves for better pay in the private sector. The retirement rate among senior supervisors between 55 and 59 alone was an astonishing 95 percent for the year ending last August, compared with a 15.5 percent rate in March 1978. C. Roy McKinnon, 51, was assistant director for the FBI for administration, one of the highest posts at the bureau, when he quit. "Hell," he says, "the assistant special agent in charge at the smallest FBI field office was making the same as I was." Adds Robert L. Van Ness, 40, who resigned as director of the Energy Department's office of financial incentives in June: "It didn't make much sense to spend my most productive years depending on the whim of Congress for whatever modest increase they might provide at erratic moments."

The salaries of senior bureaucrats are tied by law to congressional paychecks, and lately the lawmakers have been voting down their own pay hikes to avoid offending constituents. Federal judges have been able to avoid the pay cap, but only through a legal technicality. Salaries for U.S. district court judges, for example, have risen from $54,500 to $67,100 since the ceiling was imposed.

Assistant Senate Majority Leader Ted Stevens has scheduled hearings next month to examine the problems. Even David Stockman, President Reagan's budget cutter, acknowledges that something must be done. But the stingy 97th Congress may not want to listen.

[From U.S. News & World Report, Sept. 7, 1981]

IS THE FEDERAL SERVICE DYING OF PENSIONITIS?

(By Orr Kelly)

Now it's a "brain drain" that's hitting Washington.

Reagan administration officials are growing worried over the thousands of top federal executives leaving their government jobs to escape pay ceilings and take generous pensions.

There is a "massive exodus of top government officials" that has reached "staggering proportions," warns the Commission on Executive, Legislative and Judicial Salaries, a group composed of nine members chosen from outside government.

Experts fear that the flood of bureaucrats joining the pension rolls not only will create a crushing burden for taxpayers but will strip critical agencies of some of their most experienced and able public servants.

Just three years ago, only 22 percent of federal employes in the top salary range who were eligible to retire did so. That figure now runs well over 50 percent. For executives in the 55-to-59 age bracket, the retirement rate has jumped from 15.5 percent in 1978 to 69 percent.

In 1980, 3,137 top-level federal workers retired; only 508 did so in 1977.

Government workers can retire with a full pension at age 55 after 30 years' service. Federal Bureau of Investigation agents and other law-enforcement officers may step down at age 50 with 20 years' duty and must retire at 55.

The temptation to retire early is compounded by the fact that more than 36,000 officials in the top-seven pay levels are covered by a ceiling that limits them to $50,112 a year. Once an executive reaches that level, a promotion could mean an expensive and disruptive family move and more responsibility—but no more money.

In 1978, 20 top FBI executives retired, 65 percent of them as soon as they were eligible. Two years later, 42 senior officials retired, 90 percent of them just after they qualified.

Many younger agents, watching top officials leave, have withdrawn from the career-development program and gone back to being "brick agents" on the street. Last year, 308 FBI agents who had recently joined the program withdrew.

Similarly, heavy losses have been felt at the National Institutes of Health, where salaries for top scientists and administrators are often tens of thousands of dollars less than those paid on the outside. Since the beginning of this year, five key officials of the institutes—including the director, Dr. Donald S. Fredrickson—have resigned or retired.

MAJOR FACTOR

When Dr. Robert I. Levy quit recently as director of the National Heart, Lung and Blood Institute to become the vice president for health sciences at Tufts University, he nearly doubled his salary. In a letter of resignation, he noted that he had two children in college, with two more approaching college age. "Given the outlook for senior-level salaries, income was certainly a major factor in my decision making," Levy said.

At the Internal Revenue Service, 42 of 227 senior officials have retired in the past year. "Morale of senior officials is the lowest that I've seen in my experience," says William E. Williams, the top career officer at IRS. He warns: "I think it is going to have a very adverse effect on the federal government in the long run."

TOP BRASS FALLS SHORT

Outside experts who have studied the premature loss of government executives trace most of the cause to inadequate pay. While most private and federal workers have managed to keep up fairly well with the rising cost of living, top federal officials have not. In the last four years, while prices rose 47 percent, these officials have received only a single 5.5 pay increase.

But a big part of the blame for the problem is also placed on the federal pension system.

The independent Advisory Committee on Federal Pay recently described the federal retirement system flatly as "overly generous." The committee chairman, Jerome M. Rosow, a former industry and government official who is now president of the nonprofit Work in America Institute, urged that the retirement age be raised from 55 to 60 and that pensioners receive the same increases as active federal workers, rather than automatic twice-a-year cost-of-living boosts.

Representative Barber B. Conable, Jr. (R-N.Y.) declared: "Any organization which gives its greatest incentives and rewards to those who leave it rather than to those who remain cannot be serious about the quality or morale of its employes or the effectiveness of their performance."

On top of worries over losing key government officials, there are growing concerns about the rapidly rising cost of the federal pension system.

Each federal employe contributes 7 percent of his or her pay to the pension kitty, and the agency for which the person works pays a similar amount. This year, those contributions add up to 4 billion dollars each for the employes and the agencies. Up to this point, the federal system resembles Social Security, to which employer and employe each contribute 6.65 percent of salaries up to $29,700. Federal pensions are taxable, however, while Social Security benefits are not.

But the amount being paid to those on pensions—17.6 billion dollars this year—is well above the 8 billion the employes and their agencies contribute. Part of the added amount comes from interest on the retirement fund. However, an additional 13.8 billion dollars comes directly from the U.S. Treasury. This contribution makes possible the early retirement and generous pensions enjoyed by federal workers and builds up the fund to provide for future payments.

HIGHER THAN MOST

The money put in by the Treasury is similar to the contribution to private pension plans made by many employers—but far higher than most.

As inflation and early retirements have pushed pension costs upward, the government contribution has climbed. The extra amount provided by taxpayers is expected to reach 45.4 billion a year by the end of the century.

Even more troubling to some observers is the fact that the government is piling up a huge and rapidly rising debt that will have to be paid to those already retired and to many of the 2.7 million workers now on the federal payroll when they retire. The obligation has reached 450 billion dollars—up 36 billion in the last year and equal to two thirds of the entire 1981 federal budget. Only 83.6 billion has been set aside to pay those pension bills when they come due.

The military services have a separate retirement system with an obligation of more than 444 billion dollars, none of which has been set aside. American taxpayers foot the entire bill for these armed-forces pensions, but military retirees also participate in the Social Security system in which the government matches the individual contribution.

Donald J. Devine, director of the Office of Personnel Management, insists that, whether or not government pensions are too generous, the federal pension system is not faced by the kind of financial collapse that some experts fear for the Social Security system. "This is a manageable problem," the personnel director insists. "We are in sound shape. Unlike Social Security, we don't have a serious problem of a rapid increase in costs and a decrease in income."

But top officials are still worried about the pension system—both its costs and its tendency to lure key people into early retirement.

Pensions are so generous that more than 100,000 federal retirees receive more than they did when they were working. When House Speaker John McCormack (D-Mass.) retired in 1971, he was making $62,500 a year. By the time he died in 1980, cost-of-living increases had pushed McCormack's retirement pay to about $94,000—more than 50 percent higher than the pay of an active member of Congress.

John W. Macy, Jr., former chairman of the Civil Service Commission, told a congressional hearing that, between the time he retired from government service in 1969 and returned to a new federal job in 1979, his pension more than doubled.

"Federal retirement is maintained at a level of payment which no private company could possibly provide and still remain in business," says Macy.

The system is vigorously defended, however, by Kenneth Blaylock, president of the American Federation of Government Employes, who argues that it balances out some of the shortcomings of government service.

"It is a major factor in retaining competent people who would otherwise leave the civil service in droves," Blaylock says. "Any dilution of that system or dilution of its administration is a threat to the viability of the civil service itself."

President Reagan has persuaded Congress to provide cost-of-living increases for federal retirees only once a year, rather than twice.

Thus, those on pensions will not receive a boost in October but will have to wait until next March. The change is expected to make only a small difference in the amount that each pensioner receives, but will save the taxpayers 513 million dollars in the first year alone.

Also being considered by Congress is a White House proposal—similar to one made by the Carter administration—to consider pensions and other benefits in setting the total compensation of federal employes.

Under the present system, an annual survey of pay for jobs outside the government is made, and federal pay rates are supposed to be adjusted to make them comparable. In practice, only four times since 1971 have federal rates been made fully comparable to pay in private industry. In most years, a ceiling has held down raises for those in the top grades.

UNCERTAIN FUTURE

Reagan says he intends to hold the federal pay raise this October to 4.8 percent, even though it is estimated that a raise of nearly 14 percent would be needed to put workers on an even footing with those who are outside government. It is still unclear whether top officials will share in the raise. If they do not, it is estimated the number of workers at the pay cap will be triple the present 36,000.

If the President has his way, federal pay in the future will be adjusted to take into account the value of all the benefits an employe receives.

In a recently concluded study, the Office of Personnel Management discovered that federal fringe benefits were, as of last October, 4.7 percent ahead of those for private jobs.

Government workers were furthest ahead in retirement benefits and about even with other workers in life insurance, working hours and leave time. Private workers had their biggest edge in benefits not available in the federal system—such as profit sharing, stock-purchase plans and employe discounts. They also had an edge in company-paid health benefits.

If the proposal to take fringe benefits into account in setting federal pay had been in effect last October, it would have required a pay increase of only 8.8 percent rather than the 13.5 percent recommended to make federal compensation comparable to that on the outside. Government workers actually received a 9.1 percent rise.

The Advisory Committee on Federal Pay favors comparing benefits, but it insists: "Instead of weakening or destroying the pay-comparability system, the government should directly confront problems of overgrading, overmanning, inflexibility, low-productivity, excessive-benefits levels."

PROPOSED CURBS

The administration's pay-reform proposal also contains two other important elements that would tend to hold down the pay of federal workers.

One proposal would include local and state workers, as well as those employed by private businesses, in future pay surveys. Workers at other government levels normally receive less than federal employes.

The other proposal would give federal workers only 94 percent of comparable nonfederal pay. Administration officials say this would take into account some of the benefits, such as job security and promotion potential, that make federal positions more attractive than many other jobs.

It will be up to Congress, under strong pressure from federal-employe groups opposing any erosion of their pay or benefits, to decide whether to switch to the new system.

As far as those in the top pay grades are concerned, Devine of the Office of Personnel Management says any move to stem the exodus will have to wait until after the President's economic program has had time to take effect.

"We are looking at all kinds of alternatives," Devine says. "But it is very hard to evoke sympathy for people making $50,000 a year. We can't go beyond what the citizens will buy."

[From the Wall Street Journal, June 18, 1981]

UNCLE SAM'S HEMORRHAGE OF SENIOR MANAGERS

(By Joann S. Lublin)

WASHINGTON.—The U.S. government is suffering a serious "brain drain" of its most experienced top managers and Congress could hardly care less.

Thus a promising experiment in improving government efficiency may be in danger of extinction.

The experiment involves the Senior Executive Service, created by the Civil Service Reform Act of 1978. A cadre of top civil servants gave up certain job protections in return for the right to win bonuses for superior performance. These officials oversee 1.7 million workers and a nearly $700 billion budget, so any boost in their productivity could have a vast ripple effect on government efficiency, a much-stated goal of the Reagan administration.

But the lack of any recent pay raises for the 6,700 senior federal executives and the setting of limits on expected bonuses are hurting morale and contributing to an unprecedented wave of resignations and early retirement. More than 45 percent of nearly 1,000 senior executives polled recently said they may leave the government within the next two years. Many agencies also face increasing difficulty in recruiting qualified replacements from the private sector.

A report released yesterday by the President's Advisory Committee on Federal Pay criticized the widening gap between federal and private-sector salaries. "We're losing a serious investment in people" from the resulting "alarming" executive brain drain, committee Chairman Jerome Rosow told a news conference. "You can always get a warm body" to replace federal managers, he went on. "But what's the long-term impact?"

"The government is losing and the country is losing" from the inevitable employment of inexperienced top managers, says Robert Wiseman, 57, a retiring SES member who has had trouble recruiting top engineering scientists for the Army.

The Reagan administration recognizes that "the loss of key individuals is going to (have an) impact on the effectiveness of implementing its program," admits George Nesterczuk, an associate director of the Office of Personnel Management, who oversees the SES. He adds a note of hope, however: "It may just be a matter of time before we can turn that whole pay thing around."

"The whole pay thing" affects not only the Senior Executive Service but also 26,300 middle managers in the government. Despite big differences in their duties, all these officials' salaries remain frozen at $50,112 because of Congress's refusal in March to grant raises to them and to itself, the judiciary, the Cabinet and sub-Cabinet. This so-called "pay compression" is "very galling, especially when people who have a great deal of responsibility running an organization bigger than many corporations are getting the same thing as minor functionaries," says Sally Greenberg, Mr. Nesterczuk's predecessor.

Congressional reluctance to invite public outcry over big pay boosts is nothing new. But federal executives' salaries rose only about 35 percent during the 1970s, compared with an 84 percent increase for other white-collar federal workers and a 125 percent rise for private-sector executives, reports the General Accounting Office. The GAO says inflation during the decade eliminated 31 percent of the federal executives' purchasing power.

Senior U.S. officials would feel less unhappy about their compensation if Congress hadn't also curtailed bonuses. Under the 1978 law, up to half of an agency's SES positions could receive awards of up to $20,000 a year. But last summer Congress cut those eligible to 25 percent and the OPM knocked down that share to 20 percent after hearing reports of favoritism and use of the bonuses to sidestep the pay ceiling rather than reward performance.

Now the Reagan administration is fighting renewed congressional support for eliminating the senior executives' bonuses altogether—which the House voted to do last year. "This isn't the kind of cut that's really going to hurt people, like cutting back on food stamps or low-income housing," says Aubrey "Tex" Gunnells, a House Appropriations Subcommittee staffer. "You go out to Podunk and see if you can convince them to give someone in government making $50,000 a $10,000 or $20,000 bonus for doing his job."

Nonetheless, poor prospects for pay raises and bonuses have doubled the usual employe turnover rate to 18 percent or 20 percent among SES members at NASA, the Air Force and other agencies. NASA expects to soon lose 30 senior officials who played important technical roles in the recent space shuttle project. "That can have an adverse impact on the continued development of the shuttle," says Carl Grant, NASA personnel director.

Many bonus-winners leaving the government land much better paying jobs in the private sector. Dr. Robert Levy, 44, is quitting as head of the National Heart, Lung and Blood Institute to become Tufts University's health sciences vice president for twice his $60,000 government salary. After getting a $5,000 bonus last year, he saw little chance of winning another this year because of the restrictions, "But I wasn't so much frustrated with the SES," Dr. Levy says, "as with the fact that I work seven days a week . . . and I'm rapidly moving into debt." Three of his children will attend Ivy League colleges next fall.

Filling Dr. Levy's job and other SES vacancies can't be done easily. The pay ceiling means "you take second best" for top research posts, a National Institutes of Health official says. Five "well-qualified" outside candidates recently rejected offers for one such position.

The Army wanted to consider promoting a middle manager to be a command, personnel director. The man, who had been in an executive training program for two years, decided that a move from San Antonio to Atlanta without a pay raise would be too costly. The Army's civilian personnel director, Fred Newman, says, "We're going to have to go for the less knowledgeable person with less expertise. It's like bringing up someone from a farm team like the Alexandria Dukes to play for the New York Yankees."

These problems are not lost on the Reagan administration. Though the President is committed to reducing the bureaucracy. "We want effective people in there," says Donald Devine, director of the Office of Personnel Management. Without a first-rate civil service, he adds, "You're going to be wasting billions of dollars."

[From Newsweek, June 1, 1981]

THE FEDERAL BRAIN DRAIN

(By Michael Reese with Christopher Ma)

Roy McKinnon liked his job. In over 26 years as an FBI official, he headed the investigation into the 1969 murders of United Mine Workers leader Joseph Yablonski and his family, helped negotiate an end to the Indian uprising at Wounded Knee and last year he was promoted to an assistant director of the bureau. But his $50,112-a-year salary had been frozen by a pay cap ordered by President Carter and a change in government benefits threatened to cut his monthly pension by $250 a month. So last January, at 50, McKinnon took early retirement. It wasn't just the money. "My career was built on the credibility of the agents working for me," he says. "Under the circumstances people might have thought, 'This guy's a damn fool to stay on'."

McKinnon is now a statistic—one of hundreds of top Federal employees who have left government recently. The resulting "brain drain" is becoming so great that many agencies can't find good managers or technical experts to run billions of dollars worth of programs. Within the last three years, retirement of the highest-ranking Federal employees aged 55 to 59 has risen from 18.2 per cent to 95 per cent. Many younger civil servants are quitting too, taking private-sector jobs that pay up to triple their government salaries. They include some of the best and the brightest in government, including Dr. Robert Levy, who ran the heart, lung and blood program for the National Institutes of Health, and Donald K. (Deke) Slayton, who was flight test manager for NASA's space shuttle. "If you really want a bloated bureaucracy populated by incompetents who can't make it in the private sector, the surest way is to stay with the [pay] policies we're following now," warns Rep. William Ford of Michigan.

Many say the problem began when Jimmy Carter tried to reform the civil service. In an effort to improve incentives, a Senior Executive Service was created for about 8,000 top employees. They gave up some civil-service job security in return for financial incentives that included promises of hefty pay increases and sizable bonuses for jobs well done. But, strapped for funds, Carter soon scaled down the bonuses and, except for one small pay raise in 1979, decided not to remove a pay ceiling imposed in 1977. With their pay frozen, many employees began to leave. In addition, the pay ceiling produced a phenomenon called "pay compression." Executives in the top seven civil-service categories ended up with the same $50,112 maximum salary. A promotion no longer meant a pay increase and an employee who managed 2,000 people often earned no more than his subordinate. "It's not a matter of a living wage," insists Paul Lorentzen of the Federal Executive Institute Alumni Association. "It's a matter of getting talented people to run the Federal government at the highest levels."

'The Best': The private sector is reaping the benefits of the government brain drain. Now that the first space shuttle has been successfully completed, for instance, NASA expects to lose much of its team to private industry where salaries are sometimes triple what NASA pays. "We're losing the best people because there are jobs in industry for those people," says Dr. Robert Wiseman, who hires scientists and engineers for the Department of the Army. The National Institutes of Health has been rebuffed by five outside candidates for the top job in the Cancer Cause and Prevention Division because the minimum salary of $50,112 is far from competitive.

The drain is likely to continue. President Reagan has abandoned for now a campaign promise to raise executive salaries, and Congress is prohibited by law from increasing the pay of the Senior Executive Service without raising its own. And that, in the midst of budget cuts, is unlikely. Congress could change the law and grant increases to the bureaucratic elite, but it probably won't. "There's a kind of professional jealousy on the Hill that if we can't get a raise, the bureaucrats aren't going to get one either," says one Congressional aide. In an age of budget cuts and government-as-villain politics, the senior bureaucrats are not likely to win much public sympathy. But if the drain continues, the Federal bureaucracy will end up even less efficient than it is now.

[From the Washington Star, June 30, 1981]

IS ANYONE OUT THERE LISTENING?

(By G. Jerry Shaw)

If the recent agreement between the federal government and the Professional Air Traffic Controllers Organization does nothing else, it once again establishes the principle that those in government who do their job well and who quietly wait upon the grateful munificence of the administration, Congress and the people to pay them a decent wage will lose.

Career government executives who have had one 5½ percent pay increase since 1977 have done just that. Air traffic controllers, who have had raises along with all other government employees of at least 22.3 percent during the same period, are now guaranteed an 11.4 percent increase this year, plus the opportunity to make more than any government executive is allowed. (Their salary can exceed our $50,112 limit.)

Even in communist and socialistic countries, the top line executives make more than the lower-level workers whom they supervise. Not, however, in the government of the United States.

If career executives now received the 16.8 percent raise other government employees have been given over the last four years, the total cost ($36 million) would be less than what the government has just blithely promised the air traffic controllers ($40 million). The results of such pay compression will continue to be a tremendous "brain drain" in government of skilled and qualified career executives, and eventually a breakdown of our governmental system.

Career government executives are being asked once again to do more, better and with fewer employees—but with no pay raises, no incentives, few if any bonuses and no thanks from anyone.

The press and many congressional leaders have documented the frightening losses of career executives resigning or retiring from government at the earliest possible date. Is anyone out there listening? Does anyone care? We had all better, for our own sake as well as for that of future generations.

[From the Washington Star, Dec. 30, 1980]

PAYING PUBLIC SERVANTS

(By James J. Kilpatrick)

Americans are the most generous people on earth—up to a point. We take in all the stray cats of the world. Give us an abandoned babe, a crippled child or a dying shah, and the cornucopia overflows. Shirt off our back, that's what.

But there is one point at which our benevolent instincts abruptly dry up. It is the point at which we pay our public servants, and more especially our elected public servants. At that point, the dark side of our national character emerges. We become small, jealous and mean-spirited. Increase their pay? Not another dime!

These reflections, you will correctly surmise, are prompted by last week's report from the Federal Commission on Executive, Legislative and Judicial Salaries. The commission is composed of nine fairly hard-headed, no-nonsense, taxpaying types. Unanimously, they have urged substantial increases in compensation at the highest levels of our national government. They make a most convincing case.

Why should we raise the pay of senators, congressmen, supercrats and federal judges? The arguments are twofold. The first has to do with simple fairness, the second with our own self-interest.

For the time being, at least, we can put the judges to one side. Their salary problems apparently have been remedied by the recent decision of the U.S. Supreme Court mandating an across-the-board pay increase in their pay.

The 96th Congress might have acted as forthrightly on legislative and executive salaries, but on this issue our lawmakers are variously gutless wonders, thin-skinned masters and shrewd apostles of self-preservation. During the recent lame-duck session, senators killed a House bill to raise the pay of members; they feared the typical voter might rebel. These same senators were unwilling to see a mere bureaucrat paid at above the senatorial scale. And, thoughtfully, they apprehended that if they raised their pay to say, $85,000, some guys would run for their jobs.

Perhaps the 97th Congress, reading the commission report, will put principle ahead of politics. This doesn't happen often in Washington, but it happens now and then.

This is the situation. By law, no executive can be paid more than the $60,662 now paid to a member of Congress. This is the fixed ceiling for the roughly 800 officials in Executive Levels I through V—the men and women who actually run the government. But the ceiling also operates to deny raises to another 2,200 top people. The freight-train effect prevents increases for 33,000 others who are just behind. As a consequence, up to seven tiers of management are now being paid identical salaries. What this does to morale can easily be guessed.

Beyond the argument of equity is the argument of self-interest. It makes no sense to put second-raters and mediocrities in charge of a $630 billion federal budget, but if we persist in paying mediocre salaries, that is what we will get.

The commission recommends that senators and congressmen be paid $85,000 a year, plus a $10,000 annual expense allowance. Considering all the perquisites the members enjoy, this sounds a mite much, but I wouldn't quibble. Top executives would receive $70,000 to $95,000. Fine with me. If the recommendations were adopted in toto, they wouldn't increase the Federal payroll by one-half of one percent. Only a Scrooge could complain.

[From the New York Times, Jan. 4, 1981]

THE PETTY POLITICS OF FEDERAL PAY

(Editorial)

Congress has always been shy about raising its own pay. And so it has adopted a petty, damaging attitude toward raises through the Government. It has by law linked top salaries in the judicial and executive branches to its own scale, allowing almost no official to make more money than a Congressman. Yet while Congressional standards of living remain high, inflation has degraded the pay of several thousand important judges and civil servants.

It is time that Congress uncoupled these pay scales. And a new Federal pay commission report gives it a first-rate basis for doing so.

As it did four years ago, the Commission on Legislative, Executive and Judicial Salaries, set up in 1968 to advise the President and take some of the heat off Congress for pay increases, suggests that the top salaries of each branch be considered separately. In addition, it calls for a commission report on Federal pay every two years instead of four—a good idea in a time of high inflation. And it calls on the President to conduct a special study of Federal pay, including fringe benefits and pensions.

This last proposal is pertinent. Congressional pay goes further than that of judges and administrators: members allow themselves more than $8,000 in outside income. But there are complex limits on any outside income for judicial and executive branch employees and few, in any case, can command the easy lecture fees, say, of a Congressman. Meanwhile, Congressional fringe benefits, like free medical care, are often hidden—and considerable.

There are other inequities. While there is a ceiling on top salaries in the executive branch, subordinates have been getting raises that more nearly reflect inflation. The result has been a compression of the pay scales of seven different managerial ranks. If, by comparison, the pay of a police department's patrolmen, sergeants, lieutenants, captains and others were all the same as that of inspectors, inspectors would become demoralized. In the Federal Government, the pay commission describes a "massive exodus of top officials who are resigning or retiring early."

Such a loss of talent could soon result in a decline of justice. Federal District judges, who made $40,000 in 1968, now earn $54,500; if that $40,000 had kept up with inflation, they would now be making $110,000. Small wonder that more and more are resigning to return to private practice—and that prospective judges are discouraged from accepting appointment.

Federal judges, it should be remembered, serve for life. That means a welcome guarantee of independence. It should not also mean a lifelong vow of poverty. Other appointed and elected officials can look forward to the possibility of some healthy private pay days once their public service ends. Not judges; if the public wants able, experienced and independent judges, it will have to pay them.

The pay commission also proposes raising Congressional pay to $85,000. Supreme Court Justices, the commission says, should earn $115,000; Federal District judges $85,000; Cabinet members $95,000, and other salaries should go up accordingly. The judicial and executive proposals are reasonable and necessary. Indeed, the only recommendation that seems needlessly generous is $85,000 for Congressmen.

At the moment, it is up to President Carter to evaluate and perhaps modify these proposals and pass them on to Congress with his final budget. It would be a parting contribution to competence in Government for him to endorse them.

The Administration will probably consult with Mr. Reagan's advisers, as President Ford did with the incoming Carter Administration in 1977. Mr. Reagan's team has already learned, and deplored, the difficulty of attracting and keeping able people in Government at current levels of pay.

Congress will soon get a chance to grant itself a sizable raise. More important, it needs to show concern for the quality of other Federal employees, and for the health of the awesome institutions that they manage.

[From the Washington Post, Jan. 11, 1981]

CONGRESS JUST CHICKEN ON THE PAY RAISE ISSUE

(By Richard Cohen)

I once—brace yourself—appeared in a movie. The film was called "The Seduction of Joe Tynan" and my cameo appearance came about because I was, besides stunning, the consultant on the script. I was the one, history will record, who told Universal Studios that most senators are not driven around in limousines. Nowadays, they could hardly afford the gas anyway.

This is something the Congress is not likely to admit. It is loath to say that things are rough, even in Washington, and that the Congress—not to mention the senior civil service and the judiciary—could use a raise. All Congress has to do is to vote one. All it needs is the guts.

Congress feels, though, that the voters consider all governmental pay raises ill-begotten, and so legislation to raise pay always comes up at the end of the session, as if it were an afterthought. Even then, the ruse doesn't usually work. The legislation is either ducked entirely or rejected on a (unrecorded) voice vote. What is recorded are sentiments of the sort expressed by Barry Goldwater, who observed at the end of the last session that if he voted for a pay increase he would not be able to return home to Arizona. His constituents would kill him.

Notice that he did not say that he and his colleagues did not deserve a raise. He did not say that the senior civil service, some 34,000 top-level employes whose salaries are linked to those of members of Congress, also didn't deserve a raise and he said nothing about federal judges, cabinet officers and Supreme Court justices. All of them have their salaries set by Congress. When congressional salaries go up, theirs do too.

The reason Goldwater and his colleagues do not question the need (as opposed to the political wisdom) of a raise, is because the need is unquestioned. Before the Supreme Court recently permitted a 16.8 percent increase in judicial salaries, a federal district judge was paid $54,500 a year. That is nowhere near what a lawyer could make by shuffling papers, mumbling about the party of the first part, and taking long lunches. But what a judge could make as a lawyer is the least of it.

It is what a judge used to be able to make as a judge that really matters. A lawyer who became a judge in 1968 was paid $40,000. Had his salary kept up with inflation, he would have made $110,000 a year by 1980. But it didn't keep up. Instead, he made $54,500—a significant erosion of his standard of living. The same principle holds true for the Supreme Court, the cabinet, the senior civil service and the Congress itself. All of them have received what Congress has had the guts to give itself—next to nothing. The result has been an exodus of experienced people from the civil service and even some from the judiciary.

But an equally serious, or maybe more serious, result has to be the inescapable conclusion that Congress simply lacks the nerve to do the right thing. It would be one thing if Congress thought the judiciary and the senior civil service were grossly over-paid, but that is not the case. In fact, not only does common sense say otherwise, but a succession of study commissions have recommended raises—some of them so fat as to make federal service downright attractive.

All of this would not matter much if we were talking only of congressional salaries. And it probably wouldn't even matter if we were talking just of salaries—anyone's. But what is really at issue here is what is sometimes called Doing The Right Thing, doing what must be done regardless of popularity.

It is here that Congress blatantly and with much publicity, candor and admissions of weakness, flunks the test. It is, it admits, simply not up to the challenge and if it does so poorly here, why should we expect it to do any better when it comes time to face the harder issues, the ones that are bound to arise in the upcoming era of scarcity and high energy costs.

The irony is that Congress has played chicken with the pay issue to protect its image, to cover itself and seemingly endear itself to the voters. In doing that, it has simply proved that when push comes to shove, it will do what is popular, rather than what is right. As a result, it doesn't appear principled or frugal, but merely timid—worth every cent it's getting.

[From the Washington Star, Jan. 12, 1981]

PAYING PUBLIC SERVANTS

(Editorial)

President Carter's recommendation that some 3,000 senior officials and members of Congress get "catch-up" pay raises will, we hope, resolve a matter that embarrasses most elected officials. The embarrassment is probably unavoidable when a nation's public servants give themselves a raise.

But in fact there are few jobs quite so complex, or so demanding of skill and patience, as top-level federal posts. It is one reason presidents-elect go through a painstaking search to fill cabinet and subcabinet jobs. It is why Ronald Reagan last month endorsed efforts to approve pay raises, saying that relatively low salaries made it harder to find people to join his administration.

If the increases are approved by Congress, they would directly affect Congress itself, some 800 executive-level employees, some senior-level officials of Congress, and would trigger raises affecting about 33,000 senior civil servants. The pay of senior federal officials earning $50,112 or more has been frozen by Congress since 1977. It was a challenge to the constitutionality of this pay cap that last month led to the Supreme Court's decision to grant itself and all federal judges an increase of the magnitude Mr. Carter now proposes, 16.8 percent.

The raises would add a minuscule amount to the federal budget. At the level proposed by the president, they also would be considerably below the figures suggested by the Quadrennial Commission, a panel created every four years since 1968 to recommend salary adjustments for 3,000 top federal officials. The Commission had urged that executive pay be raised 36 to 60 per cent.

The president quite rightly observed that monetary rewards are not the principal attraction of public service and that "complete parity with private-sector salaries is neither desirable nor possible." But he noted that while senior executives had had one 5.5 per cent raise in the past four years, comparable executive pay in the private sector has risen about 25 percent—and the Consumer Price Index has gone up about 45 per cent. Other federal employees—with considerably less responsibility—have received annual cost of living raises.

One can sympathize with the view held by David Stockman, Mr. Reagan's choice to head the Office of Management and Budget, who said at his confirmation hearing that the raises would probably be "a very bad signal to the American people." Mr. Stockman suggested that the economy needs to right itself first.

Anticipating such sensitivity, Mr. Carter suggested that Congress may wish to practice self-denial, while approving the raises for others. That may turn out to be the solution.

But if the economy—and a great many other things—are to be righted, it will be accomplished by highly-skilled people, most of whom are used to salaries much higher than those offered by the federal government. The current salary system and pay cap has sorted itself out in a way that permits as many as seven levels of career executives and managers to receive the same pay. Such conditions, the Quadrennial Commission said, have helped create a "massive exodus of top government officials who are resigning or retiring early from their positions."

It has become, the commission said, a "quiet crisis."

[From the Forest Hills Journal, Feb. 17, 1981]

CONGRESSIONAL PAY REFORM NEEDED NOW

(By Representative Bill Gradison)

The end of the 96th Congress produced a flurry of legislation and a wealth of confusion. Among those bills was an amendment to increase Congressional salaries by 17 percent. This amendment to the Continuing Appropriation Resolution was defeated. However, consideration of this bill tied a House-Senate Conference Committee in knots and prevented Congress from closing in an orderly manner.

Each year when appropriations bills come up for consideration, the question of salary adjustments has been entangled in the routine work of fashioning spending programs for federal agencies. Although I have consistently voted against legislation which would increase Congressional salaries, I feel that Congress needs to review its procedure in this regard and provide more accountability to constituents for their actions regarding pay increases. For this reason, I have co-introduced a bill designed to reform the current procedure used in evaluating salary increases for members of Congress.

The Congressional Pay Reform Act of 1981 would free the question of salary adjustments from the entanglement of other appropriation bills and prevent federal agency appropriations from being dependent on salary revisions. Congressmen would not be eligible for automatic cost of living increases nor would increases for federal judges and top level executive branch government officials be tied to Congressional wage increases.

The linkage of executive and judicial salaries to those for members of Congress has created enormous problems for the federal agencies. Talented top-level executives often leave government for more lucrative private sector jobs because of these pay problems.

The legislation would attack the pay problem on three levels by:

1) defering Congressional pay adjustments until the start of the next Congress, thus preventing House members from voting for a pay raise which would go into effect during their current term of office;

2) mandating that Congressional pay questions be considered independently of other appropriation bills, ending the current practice of combining Congressional salary hikes with pay adjustments for federal employees and agency appropriations;

3) requiring a recorded vote in both Houses so that the public would know how their elected officials stand on salary issues.

The introduction and passage of this bill would end a great deal of controversy and debate. Congress will be able to act decisively and efficiently when considering appropriate legislation and prevent the interruption of the normal operation of the federal government. Voters would have the opportunity to evaluate their Representatives' record on this crucial issue during election periods.

[From the Louisville Times, Feb. 20, 1981]

REAGAN PAY ACTION SOUNDS LIKE PROMISE BEING BROKEN

(Editorial)

Perhaps it's the result of running for the presidency for so many years, but more than three months after winning the office Ronald Reagan can't seem to quit campaigning. Wednesday, for example, he continued to rail against "government," apparently forgetting that in the minds of many, he's it.

Wednesday's rhetoric may soon be forgotten, but the same cannot be said of the hornet's nest Mr. Reagan stirred up Tuesday when he announced he was withdrawing the 22 percent pay raise proposed by President Carter for congressmen, Cabinet officers and other high-ranking executives.

Mr. Carter sent that proposal to Congress in January as an alternative to an advisory panel's recommendation of a general 40 percent raise, and Mr. Reagan concurred. In fact, several of Mr. Reagan's aides suggested that it would be difficult to attract top talent to the new administration unless salaries were increased. So, Mr. Reagan's latest announcement has the brittle sound of a recent promise being broken.

Certainly the $91 million that it is supposed to save will sound good to a lot of voters whom Mr. Reagan doesn't really need to court right now. But it is going to make some people he must work with for four years—more than 36,000 of them—unhappy, and with justification.

The salaries of about 3,000 of them are limited to the $60,662 that members of Congress have been paid for the past two years. And the indirect effect of that freeze has been to limit the pay of the next 33,000 federal executives in lower ranks to $50,112. During a period when many low-level federal white-collar workers received 16.8 percent in cost-of-living raises, their bosses got nothing.

Mr. Carter's pay proposal was designed merely to end that inequity, plus insure that top federal employees would share in the next scheduled cost-of-living raise in October, 5.5 percent. Congress, which has insisted on linking its own salaries to federal executives, is largely responsible because it hasn't had the courage openly to vote itself a pay raise; it isn't likely to vote one this year, either.

But Mr. Reagan's reneging on his promise dims whatever chance there was this year of Congress doing something independently for the people who actually make government work. That's unfair to them and not much good for the rest of us who, after all, want to see the best talent money can buy in the federal government we own.

[From the Washington Post, Mar. 29, 1981]

EMPLOYEE FRUSTRATION DRAINING BEST BRAINS OUT OF GOVERNMENT

(By Haynes Johnson)

We've been through waste and fraud week, another president's attempt to capitalize on the public's fed-up feeling about government. And, yes, to do something about it.

Ronald Reagan's team says its campaign against waste and fraud will be led by a new group, "The President's Council on Integrity and Efficiency." Despite that stern Prussian-like title, the effort is worthy and the internal governmental problem real enough. But this highly publicized Reagan campaign, no less than others ordered by his presidential predecessors, masks a greater form of governmental waste.

What's happening inside the government today presents a problem worse than waste and more serious than fraud. The evidence points to a tragic breakdown of the government service itself. If the voices this reporter has been hearing recently are correct, the nation faces a governmental crisis all the more dramatic and damaging because it seems so little understood or discussed. Even though it has been building for years, you don't hear presidents warning about this crisis. They are, you see, part of the problem.

The waste I'm talking about involves the loss of many of the government's best people; the crisis comes from the deterioration of morale and rising frustration at all levels of the U.S. workforce.

Last week the president of the largest union representing federal employes talked openly about a confrontational mood among his membership that could lead to wildcat strikes and slowdowns throughout the government. Even top management officials are discussing the possibility of forming executive unions. A sense of anger and anxiety comes through conversations with government employes of both high and low rank. And the flow of talent out of the government continues.

Stop any top U.S. official on the streets of Washington these days, one of them says, and ask when that person will complete the 25 years of service making him eligible for early retirement. "He'll immediately tell you, not down to the year or the month—but to the exact day," this official remarks. "I think the government is heading down the road to a disaster. Within five years the group of supergrade people that are now between the ages of 50 and 60 will all be gone. The best of them are gone already. . . . The next president of the United States will turn to his top government people and say, 'Do this,' and he'll find no one able to get it done."

That respected official, who entered government service under Eisenhower, found himself rather startled at the apocalyptic tone of his remarks, "but I just can't find any cause to feel other than deeply dismayed today." In that, he seems sadly typical of many others.

From New Year's Day through the first week in March, the federal Office of Personnel Management received 38,000 retirement papers from federal employes—twice the average monthly rate of retirements, according to the Bureau of National Affairs.

A government study completed before the new year provides disturbing evidence of the rapid departure rate in the government's key managerial echelon—officials who oversee two million civilian employes, a budget of more than $600 billion, and whose decisions have a profound effect on all American citizens

"The retirement rate for career employes at the Executive Level V pay ceiling," the study says, "has increased from 17.6 percent of those eligible to retire during the 12 months ending in March 1978 to an astonishing 57.1 percent during the 12 months ending in March 1980."

Not even the dullest set of statistics about federal retirements can cloak an ominous trend—unless, that is, you are among those who believe all U.S. bureaucrats are as bad as recent presidential candidates have depicted them and think the answer to the woes of government is to dismantle it all.

The problem inside the government extends into every area of the workforce. "The botton line is morale is very low and frustration is very high," says Kenneth Blaylock, national president of the American Federal of Government Employees, the largest federal workers' union. "Government employes—and that includes managers—feel they've been kicked and kicked and kicked. . . . Now they're forced to pay the price again with a 4.8 percent pay raise in a time of 12 percent inflation and cuts in retirement benefits."

His point about pay and benefits touches a sore nerve among all federal employes. A special commission that recently completed a study of executive government salaries found a direct link between low pay and increasing difficulties of attracting and retaining outstanding people for top U.S. positions.

The commission also found that salaries of key U.S. officials in the three branches of government have fallen dramatically behind the corresponding managerial groups in private business. In addition, in most cases Congress has not allowed annual increases called for in a salary-cost-of-living act for top officials, placing those people significantly behind what they had promised legally. "The resulting compression of salaries," the commission adds, "has created the anomalous situation in which up to seven tiers of management are now being paid identical salaries."

The complaints about pay and benefits are real enough, but the grievances within the government are more serious than economic issues—and they go beyond the present emotional state of fears, rumors and resentments spurred by the Reagan administration's blueprint for federal hiring freezes, pay caps, reductions in force and slashing or junking of government programs and agencies. Another top U.S. official, whose work has drawn praise from a number of presidents, both Democrat and Republican, and who is now highly placed within the White House operation, says we are approaching the end of a decade of despondency for bureaucrats." He fears the period ahead could worsen.

Ronald Reagan was not the first candidate to run against the bureaucracy and then have to lead it as president. Richard Nixon and Jimmy Carter sounded similar themes, and encountered similar problems in power. Reagan's presidential task is even more delicate, for it is his fate to preside over the government at a time when respect for public officials has declined even further and the concept of public service continues to generate greater expressions of public cynicism.

Reagan's gifts for conciliation and leadership will be put to a critical test in his handling of the federal workforce. He can attempt to inspire it and begin rebuilding a national sense of public service or he can witness a further disintegration in an already dispirited federal establishment. Before Reagan took office, a veteran bureaucrat, Bertrand M. Harding, who headed the National Civil Service League, said he hoped the new president and his people would put aside all their campaign rhetoric about "faceless bureaucrats." As he said, "for better or worse, these 'faceless' persons belong to the president and for the moment are all the glue he has to keep the government together."

The danger is the glue is coming unstuck.

[From the Courier-Journal, Feb. 21, 1981]

PENNY WISE AND POUND FOOLISH?

(Editorial)

Back in December, Ronald Reagan was having trouble recruiting top-flight businessmen for his administration. So he urged Congress to accept a federal pay commission's proposals. He repeated his plea in January, when President Carter sent a scaled-down version of the commission report to Congress.

But now Mr. Reagan is in office, and he has changed his mind, saying catch-up raises averaging 16 percent conflict with his austerity policy.

The proposal directly affects 3,000 senior executives, Cabinet officers, congressmen and judges. But they're not the only concern. Another 33,000 upper-level government employees are penned under a $50,112-a-year ceiling that can't be lifted unless their bosses get a raise. Their last increase was one of 5.5 percent in 1976.

The trouble is Congress' cowardly insistence on linking its own pay to that for federal executives. With one vote it could break a logjam that is hurting efforts to hire qualified public servants.

Mr. Reagan is entitled to second thoughts, of course. And there's something to be said symbolically for at least delaying pay increases—especially for Congress—until his budget-cutting program is approved. But if we want good people in government we've got to be prepared to pay for them. And symbolism, when it comes to the sky-high cost of living in Washington, won't put meals on the table or send kids to college.

[From Washington Week in Review, Dec. 19, 1980]

THE QUESTION OF PAY RAISES FOR FEDERAL WORKERS

(PBS Television Network)

PAUL DUKE. Well, speaking of closer to home, members of Congress have gone home for the holidays, Charlie, and they've done so after winding up a battle with themselves over an old issue.

CHARLES MCDOWELL, *Richmond Times-Dispatch:* Well, they've thrashed around at nighttime over whether to give themselves a raise. They were devious and sort of unpleasant to watch, and they wound up giving themselves no raise.

DUKE. But, you know, that's the very point. I think a lot of people in the country would support a pay raise for members of Congress if they weren't so devious and sneaky about it all the time.

MCDOWELL. They have been. Paul, I think it can be said almost objectively that Congress, over a decade, for a decade, has been timid, and irresponsible and wasteful about the whole matter of pay. The $60,000 a year that senators and representatives have voted for themselves amounts to the lid on the salaries of the top 3,000 executives of the United States government. They range down through the fifties under that $60,000. Those are a lid on 33,000 medical people, engineers, the high paid people of our society.

The pay of those people, the top executives, and the judges in our system, is far below the cost of living increases over the decade, much farther below than you'd believe. They haven't come even half as far as the cost of living has increased. The private sector is out of sight compared to the executive salaries in this government.

The result is, that the best executives in the United States government are running with their pensions. They are taking early retirements in droves. Early retirements in this government at this level have tripled in the last three years. People who are looking at this seriously say we have a true crisis in the executive establishment in this government. Recruiting is very hard, as Mr. Reagan will find out.

Now, this week, a non-partisan, disinterested, very impressive commission I thought, the Commission on Executive, Legislative, and Judicial Salaries reports every four years. It recommended a 40 percent increase for the top 3,000 people in the government, including Congress. More for the judges, who fall even further behind.

With a 40 percent increase, if you can imagine it, that would still leave Congress, and our top 3,000 people, who Congress doesn't seem to pay too much attention to, 47 percent behind in the consumer price index. Thirty-three percent behind what private industry is paying similar executives. It's a mess!

HARRY ELLIS, *Christian Science Monitor.* Charlie, you make a good case there. But isn't it a political thing that the members of Congress didn't dare go home? I mean, just think of it, Lee Iacocca, the chairman of Chrysler, is asking his workers to accept a 21 month pay freeze, and some of Mr. Reagan's economic advisors are saying we may have to put a cap on entitlement programs to the elderly, to the poor, and so on. How could they vote themselves a pay raise?

MCDOWELL. As an old political reporter, Harry, I know it would be very difficult for them. But there are people who think if a congressman would look a constituent in the eye, and say some numbers I've written down here—our salary has increased 43 percent in the last decade. While that was happening, the consumer price index was rising 130 percent. The private sector's salaries for executives was rising 116 percent, and the pay of the ordinary Civil Service clerk was rising 118 percent, and even if I the congressman don't deserve it, there are 3,000 guys and women running the agencies of this government, our engineers in the NASA program, the space program, the top people in our government. They deserve the raise. Whether they deserve it or not, they're quitting!

KAREN ELLIOTT HOUSE, *Wall Street Journal.* Charlie, I'm near tears. Are you saying it would be the patriotic thing to do to vote yourself a pay raise?

DUKE. He's saying it would be the just thing to do.

MCDOWELL. I think it would be the just thing to do, no one's ever wanted to confuse justice and politics. But it's the thing to do to keep this very large operation running.

HENDRICK SMITH, *New York Times.* Charlie, there's one thing I don't understand, and that is the present system, and even the system you're talking about links the congressional salaries with the executive salaries. Why? Why can't the members of Congress look at the problem that you're talking about, say it's politically bad for us to do this now, with Lee Iacocca and all this kind of stuff, we'll keep our salaries level, but we're going to increase the salaries of the executive branch. Why do they have to link theirs with it?

McDowell. I accept the recommendation. It's because they want the raise secretly and they're too timid to come out and talk about it and get it. Perhaps for good they shouldn't be linked. A real effort was made in this government in 1975 to establish an organization that would sort of index salaries, and let the raises occur automatically as the price index went up, mostly for the executives. Congress has acted in every case but one to stop that from happening, because they're afraid of those constituents out there. They think those constituents out there are going to rebel at a member of Congress making more than $60,000.

I think most thoughtful people would be for the separation you suggest, because I don't think anyone seriously believes that a federal judge, the average federal judge, for instance, a 131,000 dollar a year law practice to take a $54,000 job with the government. The guy running the Federal Communications Commission for $55,000 a year is regulating and theoretically inspiring people where everyone makes hundreds of thousands of dollars.

Duke. I think that's a fitting note, unfortunately, to wind up the program. This is Paul Duke saying, for all of us on Washington Week In Review, a Merry Christmas to all of you, and we'll see you again next week.

[From WRC News Talk 98, Dec. 29, 1980]

(Editorial)

(Alvord)—Well, the 95th Congress failed to get a pay raise for Senators, Congressmen, and about 2500 top government executives. One wonders now whether the 96th will have the chutzpa to pass the pay raises. WRC Vice President and General Manager, Frank Scott, is here with an editorial on that. Frank . . . will the 96th do that?

(Scott)—I don't know, Ken. But the more I'm in Washington, the more I'm frustrated by the inability of public debate to address the issues at hand. And, it seems to us that this particular example may be the classic.

The press and the politicans themselves toss this argument around on strictly emotional terms. And, the American people, ill served by those of us whose responsibility it is to pass on proper information, rise up in righteous indignation.

But, I wonder whether the American people really wouldn't be willing to give the Senators and the Congressmen, and certainly those top government executives, many of whom are really suffering quite a bit, a proper raise so that they can do their jobs in the public interest.

We certainly don't justify things like ABSCAM. But, we do think that emotional arguments against pay raises for Congress, coupled with silly laws like the various restrictions brought by ethical codes on Members of Congress, have a tendency to encourage the illegitimate seeking of funds and to discourage highly qualified people from seeking government office.

Let's look at a few facts: If Capitol Hill salaries had kept pace with where they were in 1949, Senators and Congressmen today would be making $98,500 a year. Their salaries are $57,500. Because those 2500 top government executives' pay scales are tied to congressional salaries, top managers with enormous responsibility for our money and our very lives are being paid salaries which no where approach their civilian counterparts. Indeed the money crunch brings great trouble to these managers and their families, and therefore hinders their ability to function properly in our behalf.

Now, we're perfectly willing to admit that most of us are suffering from inflation. But, I would submit that most of us are not suffering to that extent. Most of us are not restricted from earning outside income. And, most of us don't work sixteen to twenty-hour-days like competent Congressmen and government managers must in order to do their jobs. We don't often admit that many of those jobs are, frankly, backbreaking.

I guess from all this you can gather, Ken, that we're annoyed by the demagogues who refuse to cast these arguments in their proper perspective. And, sadly, I have to admit that some of those demagogues are members of the media.

(Alvord)—That's the opinion of WRC Management. Replies by qualified representatives of opposing viewpoints are welcome.

Senator Stevens. Senator Pryor has a statement which he would like to submit for the record and we will place it into the record at this time.

OPENING STATEMENT OF SENATOR PRYOR

I want to commend you, Mr. Chairman, for scheduling this most timely hearing. We are indeed facing a serious problem in the federal government in trying to attract and retain the most qualified and dedicated persons for executive level positions.

I am advised that morale among federal executives is low and that the retirement rate is high. I am told that recruitment is difficult and that the cost of high turnover rates, in terms of dollars and lost expertise, is substantial to the government and to the taxpayer.

I hope we will explore all issues, monetary and non-monetary, that affect people who are deciding whether to join, or remain in, federal employment. Public servants are daily subjected to criticism by commentators and elected officials. Whenever a federal budget is tightened, employee retirement or health benefits are attacked. When challenging or creative policy development work is needed, agency directors often assign the work to consultants or contractors instead of agency officials. When a new administration assumes office, it often tries to identify civil servants as the cause of many of the problems the country faces. Under these circumstances, recruitment and retention problems should not be surprising.

Public servants deserve our respect and thanks. Astronauts Young and Crippen who piloted the space shuttle, Columbia, and Secret Service Agent Timothy McCarthy who faced bullets aimed at the President are not the only public servants who deserve awards of gratitude. Our country can ill affort the loss of able public officials at this critical time in our nation's history and we in the Congress ought to seek ways to make sure our executives are the best possible.

The issue is complex and answers are not easy, but I look forward to the statements of our distinguished witnesses.

Senator STEVENS. I am delighted that my good friend and our colleague from Virginia, Senator John Warner, is here this morning. Would you wish to say something?

Senator WARNER. I will join my colleague, Mr. Parris, Mr. Chairman, in putting in the statements.

Senator STEVENS. Thank you very much. Let me call on Senator Warner and Congressman Parris.

TESTIMONY OF HON. JOHN WARNER, U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator WARNER. Mr. Chairman, I think that the Congress can take heart in the action by the Senate last week in which 81 Senators unanimously voted for a pay increase for members of the Armed Forces. As you know, I worked on that particular piece of legislation as a member of the Senate Armed Services Committee. It seems to me there is a parallel situation here with respect to civil servants; namely, that we are losing the middle grade managers in the civil service because they see no light at the end of the tunnel with this pay cap.

Unless we make some adjustment with respect to the cap, there leaves very little incentive for those in the middle ranks to continue to serve loyally the United States.

Therefore, I think that this hearing is held at a very propitious time and if we can work with our colleagues as we did on the pay incentive bill for the armed services, I am optimistic that we can move this piece of legislation here in the Senate. At this time, I will be joined by my colleague.

TESTIMONY OF HON. STAN PARRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Representative PARRIS. Good morning, Senator. I appreciate the opportunity to appear before you with my good friend, the Senator from the Commonwealth.

I will be extremely brief, Mr. Chairman, for at least three reasons. No. 1, I am scheduled for a meeting at the White House in a few minutes and No. 2, I just spent 1½ hours on I-95 trying to get here. My statement and my notes are still at my office. I came direct.

Finally, we all know the facts and the arguments on this question. I think this issue is impacted as much by political considerations as it is by anything else, quite frankly.

It is very easy for most Members of Congress to be cavalier about Government employees and their compensation. But I think we all recognize that part of our responsibility is to manage the business of the Government. It is just unconscionable business and management practice to have the top seven levels of your executives all compensated at the same rate.

The early voluntary retirement figures that the chairman mentioned in his opening comments is a criminal indictment of the personnel system of the Federal Government in my view. I think we have totally abandoned any concept of comparability and finally, in my view, Mr. Chairman, it is absurd to tie the question of professional Government employees with congressional compensation.

I think we just simply have to reduce the sacrifice for public service in the Federal Government today by lifting this pay cap, by compensating the people that we like to try to attract, the competency that you talked about in your statement.

I would hope that we can adopt legislation at an early date that will at least catch up with the inflationary costs that Federal employees have sacrificed for these last few years. Thank you very much.

Senator STEVENS. Thank you for being here.

We will be happy to print your full statement in the record.

Representative PARRIS. I appreciate it.

Senator STEVENS. Thank you.

We will be happy to have either of you stay with the committee, if you would like to do so. I, too, wish we had the support that we had for the military pay raise the other day. Unfortunately, that is not the case on this subject and it is going to be a much harder battle.

[The prepared statement of Congressman Parris follows:]

STATEMENT OF STANFORD E. PARRIS

Mr. Chairman, thank you for allowing me the opportunity to express my views on the critical problem our government is experiencing in attracting and retaining qualified individuals to serve as senior executives.

Since 1979, the salaries of our top government officials have been frozen at $50,112.00. As you know, executives in the top 7 civil-service categories are now getting the same maximum pay. Employee morale is low and job performance will undoubtedly suffer because the pay cap has taken away incentive. A promotion no longer means that an employee will receive a pay increase. The only benefactor of this situation are firms in the private sector which can pay much more in salary and not have to make an investment in training. Within the last 3 years, retirement of the highest ranking employees, aged 55–59, has risen from 18.2 percent to 95 percent. Many younger civil servants are quitting their jobs because positions in the private sector are paying 3 times as much as their government salaries.

The General Accounting Office has recently determined that the executive turnover rate is now over 90 percent. This means that 9 out of 10 top career officials are retiring as soon as they become eligible. We are losing our most qualified and skilled personnel because they feel it is to their advantage to begin receiving retirement pay complete with a cost-of-living allowance. Many of these individuals move on to jobs in the private sector at a salary level higher than what they were receiving from the government.

The American taxpayer is not only financing these retirement benefits but is also paying for executive replacements. The GAO has found that this abnormally high retirement rate of executives will cost the federal government about $67,000.00 per executive, per year, over the next three years.

Because of the pay cap, including the artificial limitations it sets on salaries and the lack of incentive it creates among our top executives, our government is no longer able to retain its top officials or attract qualified people from the private sector to fill a vacancy in the top ranks of government. I have been told by various agency officials that they are having a difficult time recruiting and retaining executives. Due to the pay cap, very little recruitment is done from the private sector. At a time when we all desire to make government more efficient, we no longer have access to the private sector talent which we need.

I have mentioned some of the problems which we are experiencing with early retirement and high turnover rates. We also are having difficulties with those individuals that desire to stay on and serve in government. Our executives have very little mobility. Transfers are refused and would otherwise move top executives to where they are most needed. Since the top 7 civil-service categories are receiving the same pay, it is impossible to have an equitable system of pay.

Unless we take steps to remove the cap on executive salaries, we can expect low employee morale to continue and we can expect poor performance if we are not going to provide some incentives. Today, our best young executives, aged 35 to 45, are among the most likely to resign. The longer the pay cap is retained, the worse the situation becomes for the federal government.

If we want the government to function effectively, we must correct this inequity by removing the pay cap. I feel that raising the salaries of top government employees will allow us to retain highly skilled individuals and save the taxpayers money by avoiding the high retirement rates and the high cost of executive replacement.

I strongly urge members of this Committee and my colleagues in the Congress to act now in the interest of effective government to remove the cap on executive salaries.

Senator **STEVENS**. Is Congressman Fazio here?

Good morning.

TESTIMONY OF HON. VIC FAZIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Representative **FAZIO**. Good morning, Senator Stevens, Senator Warner. I appreciate you allowing me to join you this morning to represent the Federal Government Services Task Force, which Congressman Parris and I serve co-vice-chairman of. It is a bipartisan group chaired by Congressman Barnes of Maryland and I am here today to represent the Task Force and specifically Congressman Barnes.

But before I enter my statement into the record and make a few remarks, I would like to take this opportunity on behalf of the large bipartisan group of Members in the House to congratulate you, Senator Stevens, for your efforts over the last several sessions in Congress to provide increases in pay not only for people in the higher echelons of the civil service, but also for Members of Congress.

You are reknown for your courage in this regard. You are appreciated by your colleagues who understand your willingness to be candid and forthright about the needs of Members of Congress. Your leadership in the Senate is really appreciated and seen as one of the few areas where we may have some hope of advancing, in perhaps this Congress, to a higher level of compensation, one that reflects the rate of inflation that we have all been living under.

I would like to confine my remarks briefly to the problem that we have just been discussing. We have, I think, a responsibility to our constituents and to the Federal employees at the upper echelon to consider their needs. I support lifting the cap and allowing the career executives and the top-level servants in our Government to at least begin the process of making up for the ravages of inflation which have affected them so clearly in the last several years.

We are encountering an era where Government is seen as the enemy, where there is a general assumption that there is too much Government. Thus, those individuals charged with implementing Government programs have, in effect, become for some the enemy. They get the blame, and in fact, as a result it has been rather popular for Members of Congress to sit on the top-level Federal executive in terms of his ability to keep pace with not only the cost of living, but also the kind of pay that has been made available to people in the private sector.

Our task force, although we are obviously concerned about Federal employees at all pay levels, has seen this as a particularly crucial problem, one without much of a political constituency because, frankly, many of these people are concentrated here in the Washington area or in regional centers.

There aren't many Congressmen, or many Senators really, who have to pay a good deal of attention to a relatively small group of people as part of any political constituency. But, we have looked at some data from our major Western allies. Our task force had the honor of meeting with Otto Regenspurger of the West German Parliament and determined that a different philosophy exists there. Dr. Regenspurger talked about institutional memory, the kind of order and continuity that you find in the European civil service system as a clear area of difference. He also pointed out that we are woefully inadequate in terms of our willingness to keep our top-level executives' salaries in the public sector consistent with those in the private sector and showed us that most of our European allies and Japanese find that while there is a lack between public and private compensation in top managerial posts, it is much greater in this country than it is among our allies, those that we like to compare ourselves with.

As a result of his input, we asked Hay Associates, one of the leading management consultants in the field of compensation in the world, to look at the situation as it relates to our top executives. Dr. Allan Fisher, the director of government markets for Hay Associates, has reported to us.

I would like to make the information he provided available to the committee as part of the record.

Essentially he indicated that we are, on the average, $21,000 a year in arrears in terms of what is appropriate to pay people in the GS-18 and above category versus what our pay cap allows these individuals to get.

We are talking about a salary of $50,100 a year and we have determined that a representative class of managerial slots would be compensated in the area of $71,000 a year.

Of course, this would vary. Some would be in the sixties, some would be beyond. In fact, one of the points that we would like to make is that there are some differences among people in the career executive class in terms of their job requirements, the standards that they would have to reach, and the kind of responsibilities that they have. Therefore, it is important that Federal employees be compensated accordingly.

We are concerned about not only the unfairness of the pay, but also the impact that it has on the service that the public expects. The pressures that we are applying in an era of budget cutting and the managerial responsibility that we are demanding of Federal executives is obviously affected by the problem of retention and morale.

I think we also realize that we have a long-term problem in this country in terms of attracting, at the entry level, people who have the capability to do top-level management work when they see that those who have been in the Federal service for 25 or 30 years are compensated at a rate that is far less than those in the private sector.

Our work has proven to us that there is a serious problem. We are pleased that your committee has taken the responsibility to look at this problem in depth and to make recommendations which hopefully will allow us to break the impasse we have been at for several years.

We have done a little bit of work and I think it helps to illustrate this by a case study situation. A chief economist at the Department of Commerce in 1972 made $36,000 a year, top salary at that time.

In 1981 dollars, not quite a decade later, that person's real income is $23,000 a year. In other words, the executive who is paying that kind of price is being asked to make an inordinate sacrifice to the battle against inflation and is being, I think, made, in effect, a whipping boy for current attitudes toward government.

In terms of 1981 dollars, pay caps have cost Federal executives over the last 19 years over $100,000. Had the executive moved to the private sector, the individual in question probably could have hung on to 90 or 95 percent of that loss. That gives us some idea as to how far behind we have slipped over the last 20 years in terms of our ability to adjust our pay comparable to what the private sector has been doing to try to keep its top-level management on par with the increasing cost of living.

Of course, if we factor in the impact of taxation at those high-level salaries, IRS has contributed even more to the inability of these people to hold on to their hard-earned dollars.

I would end by simply saying that we believe that as a task force, we must lift the pay cap for executives now. We have to distinguish executive jobs on the basis of difficulty and responsibility and type of job throughout the Federal service to more adequately reflect a fair level of compensation. Furthermore, we must reduce the brain drain, for when these individuals retire and get their COLA, we have to not only pay their retirement, but replace them with one or more people in fulfilling the function they had been performing.

We also believe that we must provide sufficient incentives to preserve that institutional memory that the European civil service has. We also, I think, need for moral purposes to eliminate the annual suspense surrounding this whole issue whereupon people are kept in the dark up until sometimes after the new fiscal year begins as to whether or not there will be in fact a pay raise at all, and if so, to what degree it might occur. With those comments I would like to once again express my appreciation to you for your efforts and to this subcommittee for its leadership in an area where a few popularity contests could be won but where I think the American people have a great deal at stake.

Senator STEVENS. Thank you very much. We appreciate the work that you and Congressman Barnes are doing with your task force.

How long has that been in effect?

Representative FAZIO. We haven't been in effect more than 1 year. We have been getting off the ground with the staff and with broader participation with Members from the House in the last 6 months.

Senator STEVENS. That is very interesting. You have certainly made a great contribution with the Hay report. I hope you will continue with that kind of research because there is no question in my mind that this is a very serious problem, particularly when we see, as Senator Warner mentioned, midcareer people considering whether they are going to stay in Government or not, as well as in the Senior Executive Service.

I think we made a commitment to those people who were involved under the old civil service system at the time they moved into the Senior Executive Service that there would be a change, that their efforts would be recognized, and that the rights they waived were being waived for a reason because of the commitment for compensation and particularly for adjustment of their compensation to keep their incomes comparable to the private sector.

So we do appreciate very much your taking the time. I have gone through your statement and particularly the attachments to it and you have contributed a great deal to our effort. We find information there that we have not been able to dig out before, particularly your highlighting the existing executive vacancies which we, I think, must constantly highlight. The gaps in the executive ranks now are greater than ever before. It is almost one out of three now.

Representative FAZIO. We are certainly aware of the tremendous cost-of-living problem involved in relocating a home and all of the things involved in bringing people to Washington to staff a new administration.

We all suffer with interest rates. People who may have to move suffer it most accutely. I am very sympathetic to the problems this administration has had in bringing to Washington the team it wanted to. I think we need, on a bipartisan basis, to try to provide some relief to this problem.

One of the ways to do that is with adequate compensation. But I think it has also, as you have indicated in the past, required both Houses and the executive branch to provide leadership in this area. We have got to speak about it. We have got to be willing to come up front with the problem and talk to our constituents who make less money and may not be totally sympathetic. Hiding the problem is not solving it at all.

It is simply getting worse every day. I really thank you, as I said at the beginning, for your willingness to talk about something that probably doesn't get a great deal of immediate response.

Senator STEVENS. It gets a lot of response.

Representative FAZIO. It is all negative.

Senator STEVENS. You ought to see the negative editorial. We have lots of those.

Representative FAZIO. With a little bit of effort and willingness to talk about it in very concrete terms, and by placing it in the case study context, most citizens will begin to understand. Thus the level of unpopularity here will diminish.

Senator STEVENS. I have every intention of raising the pay cap issue again this year to see if we can break the connection between congressional salaries and executive salaries which in my opinion has held both down to a level that is unjustifiable. I don't see any reason why we should continue that connection.

Representative FAZIO. I hope I will not discourage you in your efforts in the congressional pay area, though. We may want to reach a different level, but I would hope you would stay on target there, too.

Senator STEVENS. Thank you very much. We appreciate your coming over.

Representative FAZIO. Thank you.

[The prepared statement, with attachments, of Congressman Fazio follows:]

TESTIMONY OF CONGRESSMAN VIC FAZIO
VICE-CHAIRMAN OF THE FEDERAL GOVERNMENT SERVICE TASK FORCE
SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE AND GENERAL SERVICES OF THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

Monday, September 14, 1981

Mr. Chairman, and Members of the Committee, I appreciate the opportunity to appear before you today to represent the Federal Government Service Task Force, a congressional legislative support organization concerned with the quality of Federal Employment. I commend you for the leadership role you have taken in this most important area, and hope that the testimony presented here will prove to be instrumental in informing the American public of the serious situation that is developing within the federal workforce due in large part to our archaic and inequitable salary policies.

My colleague, Congressman Michael Barnes, Chairman of the Task Force is unable to be with us today, however, my remarks reflect the views of Mr. Barnes and the majority of the Task Force members.

Over the past several years federal employees, due primarily to the fact that they represent a tangible symbol of the federal government itself, have become subject to the vagaries of public opinion with regard to government in general. Thus, when the popular view is that there is "too much government," federal employees become the target for any actions that would be perceived by the public as a reduction in government or penalty on those in the workforce.

This type of attitude on the part of Congress and past and present Administrations has resulted in a serious erosion of confidence and moral within the bureaucracy and an attrition rate, particularly at the highest levels of government, that has reached critical porportions. Thus, it is well past the time for us to focus in on the underlying problems. The subject of this hearing and one of most important and urgent matters that must be resolved is federal salaries, particularly those of our senior executives who have been subjected to a cap on their pay since 1979. But, lifting the current "pay cap" is not a single problem. It is a complex of distinct problems rolled into one. As such, it can be, and has been, approached from a variety of angles. 1) What system of pay would be equitable for executive employees? 2) What system of pay makes best sense in terms of our national objectives? 3) How can we ensure the integrity of our Senior Executive Service? 4) If we lift the pay cap, how can we be sure that we are adequately dealing with the problem of pay compression? 5) How can we ensure that mid-level and less senior executives are not overpaid, if we lift the cap? 6) Should we de-link Congressional and Executive Pay?

No doubt, testimony heard today will cover each of these problems in detail. As a general matter, we are likely to agree today that the pay cap should be lifted. As a general matter, agency heads, the business community, professional associations, and the press have endorsed the spirit of Quadrennial Pay Commission's recommendation for raising executive pay. Reasonable minds, however, continue to disagree upon when and how the pay cap should be lifted. Reasonable minds also assign different priorities to the questions I raised a moment ago.

In fact, in recent months we have become bogged down in questions of executive pay equity and private/public comparability. Debate on this set of questions, however, has proved inconclusive because budget cuts have skewed our view of what is equitable in political terms. Raising top salaries of national bureaucrats at a time when millions of Americans are beginning to feel the bite of budget cuts is a politician's nightmare. Comparability adjustments, based upon the President's proposed total compensation approach, only add to feelings that constrain action this year.

While each of the questions I have raised merit in depth discussion, my testimony today will focus on question no. 2, What system of pay makes best sense in terms of our national objectives? In my view, it is the single question that can not be avoided. It is the single question that we must answer with integrity in a year of budget cuts and wholesale policy redirection. Does our pay system enable the Federal government to staff itself with high caliber employees in positions of highest responsibility, sensitivity, and mission?

Recently, the Hon. Otto Regenspurger of the West German Parliament visited with the Federal Government Service Task Force to discuss the state of the U.S. civil service during this period of transition. Herr Regenspurger was quite interested to learn of capped executive pay because, as he put it:

"A Nation that cannot afford to pay its top executives what they deserve should not expect to go forward economically."

He also explained that in West Germany executives and other Civil servants become lifetime appointees in order to preserve the "institutional memory" of the department or agency. A department or agency that loses its institutional memory, due to excess attrition or retirement, cannot avoid repeating mistakes that weaken policy and decision making. As a consequence of this analysis, West Germany maintains a Federal pay system that is very closely comparable to wages paid in the private sector for top executives.

Discussion with Herr Regenspurger prompted the Task Force to ask the Hay Associates, one of the leading management consultants in the field of compensation in the world, to advise us on how the U.S. government compared to other national governments in civil service pay. Dr. Allan H. Fisher, Jr., Director of Government Markets for Hay Associates reported:

> Hay notes that the U.S. federal pay cap for senior executives produces a much bigger gap between public and private sector pay for jobs of comparable difficulty in the U.S. than in other nations. In 1980, Hay compared France, Germany, and the U.S. for economists and other professional positions such as personnel managers, accountants, and computer managers. In each country, pay in the private sector exceeds pay in the public sector as expected. However, the difference between public and private sector pay in the U.S. was by far the largest. Moreover, the larger pay differences were found at the senior executives levels--the SES--in the U.S.

In other words, in other nations, in both the private and public sectors, as the job gets more difficult and more responsible, the pay also increases. But in the U.S., this is not the case; here, the more difficult the executive job, the more underpaid the executive can expect to be.

This means that the more difficult and responsible the job, the more improbable recuritment of top level personnel for Federal service becomes.

This is not to suggest that all Federal executives at the pay cap are underpaid. Hay is quick to illustrate that Federal executive positions are widely divergent in responsibility and difficulty. Therefore, Hay was able to demonstrate that according to their ranking system, certain capped Federal executives enjoyed salaries that were comparable and even generous in terms of what their private sector counterparts receive.

Hay ranks job difficulty and responsibility on a number of factors, but size of the corporation is a predominant factor, as is the number of employees supervised. Using this method, Hay was able to come to important conclusions about SES jobs and private sector jobs of equivalent difficulty. Excluding bonus pay, the median pay as of May 1, 1981, for private sector jobs comparable to SES positions (assumed to be GS-18), averaged $71,688, or over $21,000 a year more than the pay cap for SES positions ($50,112,50).

I have included a table comparing 8 types of SES/private positions in my testimony. These positions are: Chief Administrative Officer; Controller; Head of Computer Operations; Head of Engineering; Head of Legal; Head of Personnel; Head of Purchasing and Head of Research.

If you consider private sector pay increases from 1979 to the present, the increasing gap in the pay of SES members is even more significant. Private sector pay for these positions has increased each year, where the pay for SES has not been increased since 1979.

This analysis is very conservative, for several reasons. First, this analysis does not express the wide range of job difficulty found among SES positions. Some SES positions are much more difficult than the average GS-18 positions used in this analysis. For example, note the difficult political appointee positions in what were formerly Executive Levels IV and VI (now top grades in the SES).

Second, this analysis indicates only some of the wide differences in private sector pay by content area. Even after equating for job difficulty, Computer Managers and Legal Officers averaged over $74,000 compared to about $67,000 for Controllers and Heads of Engineering. Again, the common SES pay ceiling does not reflect such differences.

Third, this analysis does not reflect the lack of opportunity to gain increased compensation which characterizes the Senior Executive Service. Regardless of how difficult an SES position is or could become, almost all SES jobs are paid the same. In contrast, the 1980 median pay in the private sector for the eight positions listed above averaged over $130,000, when the most difficult versions of these jobs were analyzed.

In theory, an SES member specializing in one of these occupations could compete for positions paying over 2½ times the maximum salary attainable in the SES. It is obvious that government cannot attract or retain persons of such calibur with the present SES pay ceiling, even with an expanded bonus authority.

Mr. Chairman, I would stress Hay's point that the bonus system for the SES, and elsewhere in government provides no way to make up the $21,000 average difference in median salary noted by HAY.

The Task Force also asked HAY to look at SES salary levels in another way: what can $50,112.50 a year buy in the private sector? HAY's answer, again, is revealing. Capped Federal pay can buy a production manager for a mid-level company, a manager of a division of a modestly sized insurance company, a regional vice-President of a bank with 20 to 40 branch offices. None of these jobs is what HAY considers to be a bona fide "executive" position.

Nevertheless, the Federal government must be able to offer bona fide executive positions. I believe that very few Americans really understand the kinds of work that top Federal executives do. The Task Force requested staff to undertake a simple exercise of picking some currently listed SES jobs at random to determine how these jobs stacked up against the mid-level corporate jobs assessed by HAY. Staff divided the listings they pulled into two categories: jobs of an important national security type, most in the area of Defense, and non-Defense jobs with major policy implications. I ask that the prepared listing appear at this point in the record, Mr. Chairman.

The first current listing, Deputy Assistant to the Secretary of Defense for Follow-up and Reports Management, entails a level of responsibility comparable to the highest levels in the HAY range. The Deputy Assistant directs all DOD reports on fraud, waste and abuse. He or she is principally charged with implementating cost savings projects. Presumably, the Deputy Assistant to the Secretary would become heavily involved in the process of pairing down Defense spending--an area currently at Center Stage in our budget debates. Although its not appropriate to make a purely direct comparison, HAY lists the average salary of the head of purchasing of a corporation with a sales volume of $1.9 billion as $71,400.

Similarly, we list the Director, Procurement Control and Clearance Division for the Navy Department. The Director supervises procurement that includes the Missiles and Aircraft Group as well as the Ships and General Contracts Group. This is the kind of job upon which National Security itself may hinge--as is the job of OMB's Deputy Chief of the National Security Division. Which also appears on our list.

The focus in the Non-Defense area is upon dollars managed and the number of personnel supervised. The Chief of Analysis and Computation Division at NASA directs a staff of 125 scientists charged with sensitive aerospace research. The HAY group cautions that matching responsibility by dollars managed and personnel directed in the private and public sectors does not account for the fact that private executives often have sole responsibility for their decisions--and hence less job security than Federal employees. By the same token, private executives involved in corporate policy, do not make decisions that have national or even international impact on the economy as frequently as do top Federal executives.

For example, the Department of Treasury's Director of the Office of International Energy Policy formulates and implements policy that can directly influence international energy matters. The Director participates on international matters representing the U.S. at forums around the world.

The point of this exercise is plain. This cross-sampling of jobs suggests that there are scores of jobs in the executive service in which we can not afford to employ second rate personnel. If any of the jobs I've just listed were to be filled with an unsuitable candidate, the cost--both in budgetary terms and in real economic terms could run into the billions. The cost to the Treasury of lifting Federal executive pay, whatever concept we might use in adjusting pay, in contrast seems paltry.

This analysis also answers the question of when the pay cap should be lifted. In fact, it answers the question in two ways. First, we can not afford to leave sensitive positions understaffed where sensitive vacancies exist. Second, it is essential to stop what we have come to call "the brain drain." We must keep the lid on our institutional memory. When one looks at the battering executive pay has taken since 1969, it's a wonder that we have any institutional memory at all in government--a wonder, and a tribute to the spirit of Federal service which the pay cap chokes off.

Take the example created by Tony Radspieler, Chief Economist for the Department of Commerce. Dr. Radspieler poses the plight of any top executive in government in 1972. Such an executive earning $36,000--the top salary then, if he or she continued in Federal service to the present would have borne a $13,000 cut in 1972 dollars. In other words, the executive who made $36,000 1972 dollars in 1972, makes $23,000 today. In order to have kept pace with inflation, the Federal executive would have had to earn increases bringing him or her up to $78,000 income today.

In terms of 1981 dollars, pay caps have cost Federal executives $100,600 dollars in the last 19 years. Had the executive moved to the private sector, he or she could have hung on to about 90 to 95% of that money.

Adding more injury to injury, the executive's $50,112.50 salary today boosts him or her into a tax bracket that milks between $1200 to $1800 of those good 1972 dollars. The added IRS takeaway reduces the career executive's gross pay to the equivalent of a mid-level GS 13 in 1972. Incredibly, if we maintain the pay cap through 1985, executive salaries will be worth $18,500 in 1972 dollars.

This kind of pay cut would be viewed as a career catastrophe in the private sector. Small wonder that morale among Federal executives is what it is today. Yet millions of Americans, who have been led to believe that Federal salaries are too high, continue to resent indications that Federal productivity is not what it should be.

The private sector regognizes that Government's pay system hurts them. Business relies on the Federal government and Federal employees in many ways. When the Quadrennial Commission on Pay recommended substantial increases for Federal executives, the Business Roundtable responded in February of this year:

> John Post, Executive Director of the Washington Office of the Business Roundtable, stated:
>
> (1) I agree with Commission Chairman McConnell's transmittal letter where he stated: "Today more than ever, the government needs the best talent available to maintain the quality and integrity of the Federal Government institutions."
>
> One of the best ways to effect the economies we all seek is to provide strong, forceful leadership at the very top of Federal agencies. Highly motivated and capable leaders will make more effective use of limited personnel and resources.

Returning then, Mr. Chairman to our basic question, I would suggest that a Federal pay system best serves national interests that:

a) Lifts the pay cap for executives immediately.

b) Distinguishes executive jobs on the basis of difficulty and responsibility, and type of job throughout the Federal service.

c) Provides sufficient incentives to preserve such institutional memory with agencies as remains today.

d) Eliminates the annual suspense surrounding pay increases.

Lifting the pay cap across the board by a fixed percentage of current pay will not relieve the damage of pay compression. I am sure that experts at the Office of Personnel Management and elsewhere can better describe how this relief can be provided. My plea is simply for swift action.

Mr. Chairman, thank you again for the opportunity to appear before you and your fellow Subcommittee members.

U.S. PRIVATE SECTOR BASE SALARIES FOR
SELECTED POSITIONS EQUATED FOR JOB
DIFFICULTY TO GS-18 POSITIONS:
Data as of May 1, 1981

Positions	1981 Median Base Salary	Median Sales Volume of Firm
Chief Administrative Officer	$71,700	$229 Million
Controller	$67,000	$708 Million
Head of Computer Operations	$74,000	$2.1 Billion
Head of Engineering	$67,300	$505 Million
Head of Legal	$75,000	$461 Million
Head of Personnel	$70,100	$548 Million
Head of Purchasing	$77,400	$1.9 Billion
Head of Research	$71,000	$414 Million
Simple Average	$71,688	
(SES Pay Cap	$50,112)	

Source: 1981 Executive Compensation Comparison, Hay Associates, Philadelphia, September, 1981.

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[1] Certain positions at the ES-6 level receive $52,750. However, the majority of SES incumbents are paid $50,112.50.

Federal Governments Service Task Force

SAMPLE LISTING OF EXECUTIVE VACANCIES, HIGHLY RESPONSIBLE

A. National Security Type

1. Deputy Assistant to Secretary of Defense (Follow-up, Reports and Management). Principally in charge of projects with GAO geared to implement cost savings. Directs DOD reports on fraud, waste and abuse.

2. Technical Director, Space and Satellite Communications Office, USAF. Responsible for Air Force satellite and space communications systems. The incumbent is held solely accountable. "The incumbent is the focal point for the highest level of executive decisions related to specific space and satellite programs . . . for the Air Force."

3. Deputy Director, Submarine Logistics Division. Responsible for maintenance and logistics support, including modernization of all submarines in the Active Fleet and Inactive Ship Force. (includes management of all logistics for the Trident Submarine).

4. Director, Procurement Control and Clearance Division. Directly supervises entire procurement control and clearance division which includes the Missiles and Aircraft Group and the Ships and General Contracts Group. This job is the focal point in the Navy for bringing together procurement policy and practices.

5. Director of Finance, Central European Operating Agency. Financial advisor to agency responsible for management of international petroleum pipeline covering all central portions of Western Europe. Agency is also responsible to NATO for this system, and the Director participates in sensitive international negotiations concerning the system.

6. Principal Deputy Assistant to the Secretary of Defense. (Review and Oversight). No. 2 position to Executive No. 1 listed above.

7. Administrative Director, Arms Control & Disarmament Agency. Responsible for policies, procedures, controls, and procurement for the Agency. Directs a staff of 30 employees.

8. Deputy Chief, National Security Division, OMB. No. 2 in division oversees the division's work program, reviews agency requests for appropriations, etc.

9. Assistant Director for Telecommunications and Information Systems, Defense Logistics Agency. Directs the DOD data systems that backup department wide logistics. Directs 130 employees.

B. Major Non-Defense Responsibilities

1. Director, Office of International Investment, Department of Treasury. Formulates Treasury Department policy on international investments and related issues.

2. Director, National Heart Lung, and Blood Institute. Provides leadership for national program in the field; fosters research and investigations.

3. Director, Office of International Energy Policy, Department of Treasury. Formulates and implements Treasury's policy and positions on questions related to international energy policy, Treasury's participation on international energy matters in international fora and bilateral relations.

4. Chief, Analysis and Computation Division, NASA. Directs a staff of 125 in applied research, flight simulations, theoretical and experimental aerospace research.

5. Deputy Assistant U.S. Trade Representative, Executive Office of the President. Deputy is in charge of trade policy planning, Economic Policy Support Group; also participates directly in international monetary and financial policy issues.

6. Chief, Methodology and Data Branch, Division of Risk Analysis, U.S. Nuclear Regulatory Commission. Directs branch managing reactor safety research programs. Major point of contact with NRC staff, contractors, DOE labs and field offices, foreign research programs.

7. Director, Space Science Laboratory, George Marshall Flight Center, NASA. Assists in development of scientific objectives and spacecraft technology for flight missions. Initiates and conducts supporting research in wide range of related areas.

Senator STEVENS. Good morning, Senator. Do you have a statement to present for the record?

Senator EAGLETON. No. I will hold it, Mr. Chairman.

Senator STEVENS. Is Mr. Devine here?

Good morning, Mr. Director. We are happy to have you here and your associate. Proceed in any way you wish.

TESTIMONY OF DONALD J. DEVINE, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY GEORGE NESTERCZUK, ASSOCIATE DIRECTOR FOR EXECUTIVE PERSONNEL AND MANAGEMENT DEVELOPMENT

Mr. DEVINE. Thank you very much. George Nesterczuk, associate director for executive personnel and management development at the Office of Personnel Management, is accompanying me today.

Mr. Chairman, distinguished members of the subcommittee, I am pleased to have this opportunity to express the views of the administration concerning the much-discussed attrition rates in the Senior Executive Service, and to try to present a rather detailed analysis of the problem as we see it and a proposed partial solution.

Senator STEVENS. Dr. Devine, let me make sure that everybody understands. I want to make sure I understand, too. You are presenting this statement for the Reagan administration concerning the problem here today. Has this been cleared with the Office of Management and Budget?

Mr. DEVINE. Yes, Senator.

Senator STEVENS. Good. Thank you very much.

Mr. DEVINE. First, I would like to say that the experience and dedication of the more than 6,000 men and women in the SES are absolutely essential to this administration's programs. For this reason, any serious erosion in the quality of this executive cadre is of grave concern to us.

In studying the data and reports in the media on SES attrition, I have found, on the one hand, misinterpretations of some of OPM's preliminary figures; and second, some serious indication of problems of experienced leadership within the Senior Executive Service.

There has been an increase in retirement rates in the Federal personnel system as a whole over the past 4 years. This, to a great extent, is because the 1977 executive pay increase artificially depressed retirement rates for about 2 years and gave people an incentive to stay in the Government so that they could retire at higher rates later on.

Retirement annuities are tied to the Consumer Price Index, presenting senior executives at the pay cap with a situation where retired pay goes up while salaries stay frozen. The situation is somewhat different for the SES, which constitutes only a small part of all persons at the pay cap. First, although SES has been in existence only 2 years, the chart which has been prepared for this testimony shows there is no discernible trend in SES losses since the beginning of the Senior Executive Service.

Second, SES retirement rates are significantly lower than rates for all people at the pay cap. That is shown on the second chart. In calendar year 1980, more than 50 percent of all persons at the pay cap who were eligible to retire did so. The comparable figure for the Senior Executive Service is 38 percent. Therefore, eligible GS-15 employees at the pay cap are retiring at a rate that far exceeds that of senior executives at the pay cap. This also suggests that GS-15 employees and SES members probably retire for different reasons.

When interpreting patterns in retirement rates, it is important to consider the previous administration's policies to induce early retirements. Lenient "early-out" retirement was used to facilitate agency reorganizations. And laws which permitted "look-back" and twice-annual indexing in the annuity calculations have made early retirement extremely attractive. That is why Congress moved to tighten up the system, and OPM has moved administratively to eliminate from early out coverage both shortage category occupations and positions for which the agencies have been granted direct-hire authority. We are also changing the guidelines to require that a certain percentage of employees must actually face separation from Government service before early-out authorizations are even considered.

Additional restrictions and refinements of both law and policy are under consideration for future development.

We are also concerned about the possibility that other aspects of our retirement system may be inducing SES members to retire earlier than they might otherwise. We should remember that our retirement system is almost unique in that one can retire at a relatively young age and still receive a substantial pension which is fully indexed for inflation. These features, particularly when combined with frozen pay rates, lead many SES members to feel that they should retire soon, while they are young enough to work for several years in the private sector, and still take full advantage of the Government's pension program.

While I have great sympathy for these individuals and believe they are acting rationally in an economic sense, I think it is very questionable whether our retirement system should continue to bear this burden. In my opinion, we are going to have to look at some very difficult questions in this area, such as whether the present age 55 retirement should be raised and whether the annuity computation or COLA formulas should be changed to encourage all employees to work longer.

Mr. Chairman, the most significant change I have found in the Senior Executive Service, however, is not the number leaving, but the lack of experience of those who remain. The problem is not that qualified replacements cannot be found for executives who leave. Generally, we can find them, with the exception that I will mention in a minute. What is irreplaceably lost is the accumulated Federal experience and particularly the executive service which is built up through many years in the career service. The third chart I attached to the testimony shows that not only is the average age of the SES population dropping, but so is the average length of service, most dramatically in length of supergrade or SES experience.

In short, people who are leaving now do so at the prime of their careers and the people who remain are less seasoned executives.

We estimate that the average length of executive experience has dropped by almost 50 percent since 1977. This represents a very serious loss in this time of budget cutbacks when we need the most experienced executive talent possible to administer our programs and extract maximum results despite severely limited resources.

The loss of seasoned senior executives is much worse in the high technology occupations to which you referred earlier. At a time when Government programs are becoming more and more scientific, particularly in such fields as defense and health, the inability to attract and keep scientific administrators is clearly our most serious recruitment problem.

Recent retirements from SES have included the Directors of the Air Force's Turbine Engine Division, Solid State Sciences Division, and Mathematical and Informational Sciences Program.

At HHS, the Directors of the Laboratory of Molecular Virology and the Bureau of Medical Devices are examples of recent retirement losses.

I believe the most alarming drain from SES is not the drain of talent or experience but the morale drain which can be specified in one area. Based on extensive surveys, of both those who stay in Federal service and those who leave, we know that the pay cap and salary compression are the major sources of the morale problem that exists in the Federal executive service.

Of those executives who leave the Federal service, pay is the major reason. In fact, a recent survey found that 65 percent of those executives who quit cited inadequate pay as their chief reason. It is significant that 75 percent also said that the jobs they left were challenging and satisfying. These were people that did not want to leave, but were forced to leave because of low pay and the attractions of the retirement system.

These statistics concern me very much because they indicate that pay compression is driving out employees who are not only the most competent and seasoned, but also the most satisfied and challenged.

Let me now focus on those who stay in Federal service. It is the lowered morale of these executives who, for whatever financial reasons, choose to continue their SES careers that most concerns me. A remarkable 86 percent of these people say they like their work, and yet 52 percent say they are considering leaving Federal service due to inadequate pay. Thirty-four percent of all Federal executives plan to look for new jobs in the coming year and, of these, nearly 80 percent tend to look in the private sector.

The reason for the discontent is very clear: 85 percent of those planning to leave cite better pay as the major reason. I call this discontent as opposed to a mass exodus because we know that nowhere near that number will actually leave. But I fear that the loss of executive esprit and dedication may be even more harmful than the loss of executives themselves.

We are also losing the executives' willingness to accept reassignments and increased responsibility without pay distinctions. Often, the reassigned executive faces an actual decline in his or her standard of living when the move involves going from a regional office to a high-cost urban locality or to Washington.

For example, an FBI special agent who supervises 45 agents in an El Paso office cannot be expected to volunteer for a similar job, at the same pay, in the Manhattan office which has more than 2,000 agents, even though it represents promotion up several levels in the FBI hierarchy.

To accept this promotion would mean both a 20-percent increase in the cost of living and an actual cut in take-home pay because of State tax differences.

In addition, the relocation expenses themselves are much higher than the reimbursement the Government is now able to pay the transferring executive. Recent surveys indicate employees coming to Washington from regional assignments typically find that they must cover more than $5,000 in expenses out of their own pocket.

Based on the situations that I have described, I believe that the lack of any pay increase, even a small symbolic one, in the entire upper echelon of Government will seriously aggravate an already intolerable situation. No organization can afford to lose its most valuable asset, the drive and aspiration of its experienced executives. I therefore urge you to pass legislation, which the Reagan administration supports, to increase the pay cap by 4.8 percent. We estimate the annual cost of the 4.8-percent increase to be $90 million.

I feel this is a small and reasonable investment toward resolving the problems being discussed today.

Mr. Chairman, I would be happy to respond to any questions you may have.

Senator STEVENS. Those under the pay cap have lost 16.8 percent in the last 4 years, plus if the cap is not lifted, they will lose another 4.8 percent now. What would it cost to lift the cap altogether?

Can you give that for the record?

Mr. DEVINE. I think the cost of lifting the current cap by 16.8 percent is $180 million. The 4.8 percent increase this October would cost another $90 million, for a total of $270 million. But I will check to be sure.

Senator STEVENS. It would be twice as much.

Mr. DEVINE. That is right.

Senator STEVENS. Your chart shows that there is a large increase in retirement in 1980 and that there has been a fall-off in 1981. Do you think there is any indication that some of these people are waiting just to see what we are going to do this first year of this new administration?

Mr. DEVINE. I think that is a very good interpretation of what those figures mean.

Senator STEVENS. Have you any realistic projection of what is going to happen with regard to this exodus if the pay cap is kept on through this Congress, this year and in 1982?

Mr. DEVINE. We don't have any solid figures. Our study of the Senior Executive Service is still in progress. But I think you can look at the 52 percent who are thinking about retirement as a good indication. Again, I don't expect that they all will retire, but even a third or a fifth of that figure would be disturbing.

Senator STEVENS. I am not sure I understand your chart concerning retirements as opposed to resignations. Chart 1 shows that you have had a dramatic increase in the people in 1981 who have resigned from 69 in a comparable period of 1980 to 126 from the first of this year to June 30 of this year.

And yet the optional retirement has gone down. It was 454 in that same period in 1980 as compared to 154 in this period. Can you enlighten us on this?

Mr. DEVINE. It is the first column that partially led to some of the earlier problems with interpreting the retirement rate. There are four major types of attrition. Resignation is one, and if you look just at that column, it looks like there is a dramatic increase.

We feel that it is important to take the other three, especially the second and the third column, into account. To a great extent these columns offset kinds of retirements that can be taken under different circumstances. You will notice that the optional retirement, which you usually call a voluntary retirement, has decreased very substantially and some of the numbers that are in that column would have been in the resigned column if it hadn't been for those other avenues being open.

So we feel that the total column is the one most critical for comparisons over time. But I wouldn't say that column one is irrelevant, because it is to some extent not overlapping. Again, the total column is the most important one to look at.

Senator STEVENS. Thank you. Senator Eagleton?

Senator EAGLETON. Just a question or two for clarification, Mr. Chairman.

Your question was, what would be the cost if we took the pay cap off entirely? I think his answer was, it would be $180 million, be double the $90 million figure. Is that correct?

Mr. DEVINE. Let me doublecheck that. I am pretty sure we have that here.

Senator Eagleton. I don't mean to the penny. I want to get a rough estimate.

Mr. Devine. Yes. It is $180 million to lift the current cap, plus another $90 million for a 4.8-percent increase this October.

Senator Eagleton. Let me see if I understand what the ramification of that would be. Both you and Chairman Stevens are very familiar with the vernacular. I am not as expert in that area as are both of you. If we remove the cap entirely, would that, overnight, in sort of a magic wave of a wand, totally eliminate the so-called compression factor?

Mr. Devine. If you went for the full removal of the cap, it would, Senator. Yes.

Senator Eagleton. What would be the highest salary of someone at the top-most grade if the full cap were fully removed?

Mr. Devine. It would be $61,600 right now in the Senior Executive Service and the executive levels would go up proportionately. In October, the top SES rate would go to $64,600.

Senator Eagleton. If I follow that along then, GS-18, 17, 16's, et cetera, would no longer be making the same salary. Is that correct?

Mr. Devine. That is correct, Senator.

Senator Eagleton. But would the differentials between those at the higher rate levels be so miniscule in dollar amounts as to be almost the same thing anyway? If the cap were fully removed, what would be the salary of a GS-16, 17, and 18?

Does your man or someone with you have those figures?

Senator Stevens. Senator, we have those charts prepared. We would be glad to put them in the record. I don't have them with me right at the moment. I might say that it is not quite so that all of the compression would be removed by taking off the pay cap. There is some built in from past congressional action so that we would not totally eliminate that compression. But we would eliminate the compression caused by the pay caps of the past.

[Chart referred to follows:]

Executive Schedule and Senior Executive Service Rates

	Current Scheduled Rate	Oct. 1 Scheduled Rate if 4.8% Increase	Current Payable Rate	Oct. 1 Payable Rate if 4/8% Increase
Level I	($81,300)	($85,200)	$69,630.00	$72,972.24
Level II	(70,900)	(74,300)	60,662.50	63,574.30
Level III	(64,700)	(67,800)	55,387.50	58,046.10
Level IV	(61,600)	(64,600)	52,750.00	55,282.00
Level V	(58,500)	(61,300)	50,112.50 (Cap)	52,517.90
ES-1	($52,247)	($54,755)	$50,112.50	$52,517.90
ES-2	(53,996)	(56,936)	50,112.50	52,517.90
ES-3	(55,804)	(59,119)	50,112.50	52,517.90
ES-4	(57,673)	(61,300)	50,112.50	52,517.90
ES-5	(59,604)	(62,950)	50,112.50	52,517.90
ES-6	(61,600)	(64,600)	50,112.50 (or $52,750)	52,517.90 (or $55,282)

SEPTEMBER 15, 1981

Senator **Eagleton**. Just off the top of my head, Mr. Chairman, if, for $180 million, we can solve the brain drain problem, solve the morale problem, solve the early retirement problem, et cetera, to me that would be a miniscule amount of dollars to solve the very substantial problem that you are addressing through these hearings. But I am not so sure—just listening to the figures—whether it does solve all of those problems even if we go that route.

That is what I am trying to get at.

Mr. **Devine**. I am sorry to interrupt, but the basic figure would be approximately $52,000—of course, we don't have the figures for GS grades 15, 16, 17, 18. But SES-1 would be about $52,000, SES-4 around $58,000, SES-6 around $62,000. That would be the 16.8 percent. Senator Stevens is correct. Because of past action taken, that wouldn't get it fully into the comparability range, but it would be very close. There would be substantial increases, as you can see.

Senator **Eagleton**. For instance, my guess is that even if we had removed the pay cap, say, one year ago, my guess is that we still would have lost the Air Force's Turbine Engine Division Director, we probably would have lost the Director of Solid State Sciences Division, probably would have lost the Director of the Mathematical and Informational Science Program, we probably would have lost the Director of the Laboratory of Molecular Virology and the Director of the Bureau of Medical Devices, et cetera.

That is, I don't think that totally removing the cap would solve our brain drain problem in certain areas that you have particularly addressed in your prepared statement. Let me ask this: Should we contemplate going to some system that, in addition to taking off the pay cap, rewards certain skilled individuals with certain particular forms of expertise, rewards those individuals over and beyond what the general civil service pay structure allows?

Not to impose a nightmare on you, but the air traffic controllers allege such a question in their current strike vis-a-vis the Federal Government. But putting that aside, knowing that that is an explosive issue, shouldn't we go to some form of system that says for doctors, scientists, physicists, space scientists, et cetera—individuals who can quite readily go with a certain defense contractor or a certain research firm or back into the private practice of medicine and make two to three times what the Government is paying—that we face up to that and say yes, that is a practical fact of modern American life and ergo, if we are going to keep highly skilled senior people in some of these categories, we just quite frankly are going to have to pay them over and beyond the traditional limits of the civil service system.

Mr. **Devine**. I think that is a very good question, one that we are looking at. We have special pay rates in the General Schedule in which we take advantage of the authority that Congress has given us to create special higher pay rates for shortage occupations. Outside of that, we do not have special rate schedules completely for positions.

Certainly that concept can be expanded. We are looking at that. It is one possible solution.

Senator **Eagleton**. You are familiar with the fact that when Congress set up the Synthetic Fuels Corporation, it addressed that issue in a limited sense when it specified the salary, whether we call him Chairman or President, of the CE0 of the Synthetic Fuels Corporation and set the salary at well over $100,000 a year, the notion being that to head up a multibillion dollar corporation, a quasi-public corporation of this type, that to get a CE0 you would want to attract someone perhaps from private industry or from wherever, but you want to attract them with the salary commensurate with the responsibility.

Let me ask you to comment on this, Mr. Devine: When Paul Volcker, the current head of the Fed, left the presidency of the New York Fed, that is where he was before he came here, he was making $116,000 a year. When he came down here to take the chairmanship of the Fed, his salary became $60,663. That is what it was when he came down here in 1979, and that is still his salary today in 1981.

Since that time his wife has gone to work, and I don't know how many children they have. I think tney have at least one child in college.

Would you comment on the system wherein one was working for one of the Fed banks, one of the regions at $116,000 and gets a salary cut in half to come down to Washington to run the whole thing?

Mr. DEVINE. Obviously it needs very little comment. It is totally irrational. Let me interject here for just a moment. I thought when I looked at the $180 million cost figures that something was wrong. The $180-million figure represents taking the cap off without an increase of the 4.8 percent.

An increase of 4.8 percent and removing the pay cap, would cost $275 million.

OPENING STATEMENT OF SENATOR EAGLETON

Senator EAGLETON. Mr. Chairman, I will terminate my questioning at this point. But I am extremely sympathetic, Mr. Chairman, to the purpose and thrust of your hearings. I think this is a problem of considerable significance and one that must be addressed. I don't think it can wait 4 years. And I think the other witnesses we will have today from the FBI, from the Department of Defense, will add further impetus to this. I realize that in the times in which we find ourselves, in both the economic and political sense, to talk about raises in salaries for Federal employees is not the most politically auspicious thing to recommend.

I realize the mood of the country. I realize the mood of my State when you talk about raising salaries for "pointed-headed" bureaucrats and all of that jargon, verbiage that goes around.

But I think we are only kidding ourselves, and we are only shortchanging our Government, when we pretend that the problem doesn't exist. We continue to lose some of our most senior individuals, as Mr. Devine has pointed out, people with experience and expertise acquired over a period of years. These individuals find that they like the work that they are doing, but they just can't hack it, raise three kids, whatever it is, and have their salaries frozen virtually as they have been for years. The Government ends up losing its—to use the name of the Halberstam book—it ends up losing its best and its brightest.

Then we sit back and say, 'Why doesn't Government function more efficiently?' My constituents always ask me that. Well, maybe it is not the sole reason, but one reason Government doesn't function more efficiently is that we are losing some of our most efficient people. I know the political sensitivities of it. But I think it is a terribly, terribly important issue, and I am delighted that you had the foresight and the political courage to raise it, face it and address it.

And I will be pleased to work with you in that regard, Mr. Chairman.

Senator **Stevens**. Thank you very much.

Mr. Devine, what we are seeing is that as far as those resigned figures, those people aren't eligible for retirement. Right?

We are seeing an increase in the exodus from that level of Government from those people who are not yet eligible for retirement. Is that the correct interpretation of that chart?

Mr. **Devine**. Yes. That is true.

Senator **Stevens**. It does seem to me that there is really cause for great alarm to see so many young people, who have a considerable stake in the system, leaving before they are eligible to retire; in other words, they are abandoning their whole retirement plan at midcareer.

It has been my impression that it has been done mostly because of the repeated actions of Congress in refusing to lift pay caps and refusing to grant the pay increases for those who are in the higher executive levels. I understand you have another appointment, Mr. Devine. I do appreciate your being with us and particularly appreciate your statement on behalf of the administration.

Mr. **Devine**. Thank you, Senator. I would like to make one closing comment. We recognize that this isn't the solution to the whole problem. The problem is very serious, and as Senator Eagleton correctly stated, we have a political climate in which it is difficult to implement the kind of general solution we would like. This isn't our final word on it. We hope that this year at least we can do something and, as economic conditions improve, we might be able to do something better in the future.

Senator **Stevens**. We appreciate the constraints that you are operating under. But I think our task is to prove that it is costing the Government more in terms of real dollars to train replacements, the cost of moving replacements—the whole system.

It is costing our Government, our taxpayers, more to operate under the pay cap than it would cost if the cap were removed. In other words, this is not a true saving. It is not bringing about a saving to maintain this pay cap. In my opinion, it is kept down for one reason, and that is some Members of Congress who don't want to raise their own salaries don't want people downtown to have their salaries go higher than Members of Congress.

We have got to eliminate that connection, and I think this is the year to try to do it.

Mr. DEVINE. I applaud you very much for bringing this matter up, as the other speakers have said. I appreciate it very much.

Senator STEVENS. Thank you very much.

[The prepared statement, with attachments, of Mr. Devine follows:]

STATEMENT OF
DR. DONALD J. DEVINE, DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

COMMITTEE ON GOVERNMENTAL AFFAIRS

of the

UNITED STATES SENATE

SEPTEMBER 14, 1981

Mr. Chairman and distinguished members of the committee, I am pleased to have this opportunity to express the views of the Administration concerning the much discussed attrition rates in the Senior Executive Service.

The experience and dedication of the more than 6,000 men and women in the SES are absolutely essential to this Administration's programs. For this reason, any serious erosion in the quality of this executive cadre is of grave concern to us.

In studying the data and reports in the media on SES attrition, I have found -- on the one hand -- misinterpretations regarding the so-called "brain drain" and -- on the other hand -- some very serious indications of lowered morale and leadership within SES. There has indeed been an increase in retirement rates of Federal personnel as a whole in the past four years. This is because the 1977 executive pay increase artificially depressed retirement rates for about two years as people who had been at the pay ceiling extended their service in order to gain larger retirement benefits. Since 1979 retirement annuities have been tied to the Consumer Price Index, presenting people at the pay cap with a situation where retired pay goes up while salaries stay frozen. The situation is somewhat different for the SES, which constitutes only a small part of all persons at the pay cap. First, although SES has been in existence only two years, Chart One shows there is no discernible trend in SES losses since that time. Second, SES retirement rates are significantly lower than rates for all people at the pay cap. As Chart Two shows for calendar year 1980, more than 50 percent of all persons at the pay cap who were eligible to retire did so. In the SES the figure is about 38 percent. This leads one to conclude that eligible GS-15 employees at the pay cap are retiring at a rate that far exceeds senior executives at the same pay cap.

When interpreting patterns in retirement rates, it is also important to consider the previous Administration's policies to induce early retirements. Lenient "early out" retirement was used to facilitate agency reorganizations. And laws which permit "lookback" and twice annual indexing in the annuity calculations have made early retirement extremely attractive. This is why Congress and the new Administration have been changing many of these policies. We have already restricted early out authorizations by limiting approvals to only those geographical areas or sections of a department or agency actually undergoing major staff reductions. We have eliminated shortage category occupations and positions for which the agency has been granted direct-hire authority from coverage under early out. We are also changing the guidelines to require that a certain percentage of employees must actually face separation from government service before early out authorizations are even considered. Additionally, restrictions and refinements to both laws and policy are under consideration for future development.

We are also concerned by the possibility that other aspects of our retirement system may be inducing SES members to retire earlier than they otherwise might. We should remember that our retirement system is almost unique in that one can retire at a relatively young age and still receive a substantial pension which is fully indexed for inflation. These features, particularly when combined with frozen pay rates, lead many SES members to feel they should retire soon, while they are young enough to work for several years in the private sector, and still take full advantage of the government's pension program. While I have great sympathy for these individuals, I think it is very questionable whether our retirement system should bear this burden. We are going to have to look at some very difficult questions in this area, such as whether the present age 55 retirement should be raised, and whether the annuity computation or COLA formulas should be changed to encourage all employees to work longer.

Mr. Chairman, the most significant change I have found in the SES is not the number leaving but the experience and attitude of those who stay. The problem is not that qualified replacements cannot be found for executives who leave -- generally they can be found. What is irreplaceably lost is the accumulated Federal experience, and particularly the executive experience, which is built up through many years in the career service. Chart Three shows that the SES population is dropping not only in average age but also in length of service and most dramatically in length of supergrade or SES experience. In short, the people who are leaving now do so at the prime of their careers; and the people who remain are less seasoned executives. We estimate the average length of executive experience has dropped by almost 50% since 1977. This represents a very serious loss in this time of budget cut-backs, when we need the most experienced executive talent who can administer our programs and extract maximum results despite severely limited resources.

The loss of seasoned executives is much worse in the high technology occupations. At a time when Government programs are becoming more and more scientific, particularly in fields such as defense and health, the inability to attract and keep science administrators is clearly our most serious recruitment problem. Recent retirements from SES have included the Directors of Air Force's Turbine Engine Division, Solid State Sciences Division and Mathematical and Informational Sciences program. At HHS the Directors of the laboratory of Molecular Virology and the Bureau of Medical Devices are examples of recent retirement losses.

But I believe the most alarming drain from SES is not the drain of talent or experience but the morale drain. Based on extensive surveys of both those who stay and those who leave Federal service, we know that the pay cap and salary compression issues are the major factors in the critically low morale of our senior executives.

Of those executives who leave Federal service, pay is by far the major reason. In fact, a recent survey found that 65% of those executives who quit cited inadequate pay as their chief reason. It is significant that 75% also said the jobs they left were challenging and satisfying. These statistics concern me very much, because they indicate that pay compression is driving out employees who are not only competent and seasoned but satisfied and challenged.

Let me now focus on those who stay in Federal service instead of those who leave. It is the lowered morale of these executives, who for whatever financial reasons choose to continue their SES careers, that concerns me most. A remarkable 86% of these people say that they like their work, yet 52% say that they are considering leaving Federal service due to inadequate pay. 34% of all Federal executives plan to look for a new job in the coming year and, of these, nearly 80% plan to look in the private sector. The reason for their discontent is very clear: 85% of those planning to leave cite "better pay" as the major reason. Now, I call this "discontent" as opposed to a "mass exodus" because we know that no where near that number will actually leave Federal service. But, I fear that the loss of executive esprit and dedication may be even more harmful than losses of executives themselves from the SES.

We are also losing the executive's willingness to accept reassignments and increased responsibility without pay distinctions. Often the reassigned executive faces an actual decline in his or her standard of living when the move involves going from a regional office to a high-cost urban locality. For example, an FBI Special Agent who supervises 45 agents in an El Paso office cannot be expected to volunteer for a similar job, at the same pay, in the Manhattan Office with more than 2,000 agents, even though it represents a promotion up several levels in the FBI hierarchy. To accept this promotion means a loss of some 20% in cost-of-living plus an actual cut in take home pay because of state tax differences.

In addition, the relocation expenses themselves are much higher than the reimbursement the Government is now able to pay the transferring executive. Recent surveys indicate employees coming to Washington from regional assignments typically find they must cover more than $5,000 in expenses out of their own pocket.

Based on the situations I have described, I believe the lack of any pay increase, even a small symbolic one, in the entire upper echelon of government will seriously aggravate an already intolerable situation. No organization can afford to lose its most valuable asset, the drive and aspiration of its experienced executives. I therefore urge you to pass legislation allowing the pay cap to go up by 4.8%. We estimate the annual cost of the 4.8% increase to be 90 million dollars. I feel this is a small and reasonable investment towards resolving the problems being discussed today.

Mr. Chairman, I would be glad to respond to your questions now.

CHART ONE
CAREER EXECUTIVES LEAVING FEDERAL GOVERNMENT

Dates	Resigned*	Disc Serv. Retirement	Optional Retirement	Disability Retirement	Death	Other	Total
7/13/79 - 12/31/79	73	29	188	4	7	4	305
1/01/80 - 6/30/80	69	11	454	8	9	13	564
7/01/80 - 12/31/80	95	21	308	12	11	7	454
1/01/81 - 6/30/81	126	17	154	2	14	25	338

*Not including reemployed annuitants who have been previously counted with Retirements.

CHART TWO

RETIREMENT TRENDS AMONG FEDERAL EMPLOYEES

PROBABILITY OF RETIRING WITHIN ONE YEAR OF ELIGIBILITY

	1978	1979	1980	1981
Employees at the Pay Cap				
All Ages	18.9%	27.9%	51.8%	
Age 55 - 59	18.7%	34.2%	67.1%	
Senior Executives				
All Ages	------	------	38%	
Age 55 - 59	------	------	46.1%	
All Employees				
All Ages	23.3%	25.8%	33.6%	
Age 55 - 59	25.5%	28.6%	39.3%	

CHART THREE
AVERAGE AGE AND SERVICE OF SENIOR EXECUTIVES

	1969	1971	1974	1977	1981
1. Average Age	52.2	52.3	52.9	52.1	49.7
2. Average Length of Service	22.7	22.9	22.5	22.4	20.5
3. Average Age at 1st SES Appt.	46.1	45.1	44.4	43.9	45.5
4. Average Length of Executive Experience*	6.1	7.2	8.5	8.2	4.2

*Estimate based on difference between average age and average age at first SES appointment.

Senator STEVENS. Mr. Korb, Assistant Secretary for Manpower, Reserve Affairs and Logistics, Department of Defense.

TESTIMONY OF LAWRENCE KORB, ASSISTANT SECRETARY FOR MANPOWER, RESERVE AFFAIRS AND LOGISTICS, DEPARTMENT OF DEFENSE, ACCOMPANIED BY JERRY CALHOUN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY

Mr. KORB. Thank you, Mr. Chairman.

Senator STEVENS. Who is the gentleman with you?

Mr. KORB. With me is Mr. Jerry Calhoun, Deputy Assistant Secretary of Defense for Civilian Personnel Policy.

Both of us are pleased to appear before the subcommittee to relate the experience of the Department of Defense with reference to current problems relating to recruitment and retention of senior executives.

In the Department of Defense, we are experiencing significant problems in the recruitment and retention of senior executives. Through retirements and resignations, we are losing our Senior Executive Service members at an unprecedentedly high rate and are finding it extremely difficult to attract quality replacements. During 1980 and 1981, the Department's annual attrition rate for Senior Executive Service members has been approximately 17.5 percent. Figures available from the Department of the Navy indicate that its average annual attrition rate at the senior executive level prior to July 1979 was only 7 percent. Assuming that the Navy figure is representative, our attrition rate has more than doubled in just 2 years.

Recruitment for senior executive positions is now very difficult from both within and outside the Government. The Department of the Army, in its efforts to fill vacant scientific and engineering senior executive positions, recently contacted numerous companies in the private sector to solicit applications from interested employees. The typical response indicated that those individuals with the qualifications necessary to fill the positions simply would not be interested at the salaries being offered.

The Department of the Navy recently spent $80,000 in advertising four vacant senior executive positions. Of the 28 applicants who were considered best qualified, only 6 were from outside the Government. Another Navy position was advertised in 1976, and there were approximately 100 qualified applicants, one-third of whom were from outside the Government. This same position was recently advertised again, with only nine qualified applicants, one of whom was from outside the Government.

Illustrative of the recruiting problem from within the Government are two examples from the Air Force. First, at the Air Force Accounting and Finance Center, only one of eight senior GS-15 employees applied for a recently advertised Senior Executive Service position. Second, when a candidate development program for the Senior Executive Service was announced last year, only 196 of 935 Air Force employees at the GS-15 level applied. Those who applied generally were not considered by the top functional managers as being the best qualified for entry into the Senior Executive Service.

Our problems with both recruitment and retention are caused almost exclusively by the current compensation situation. Executive salaries in the private sector and the cost of living have risen significantly in recent years, while salaries for our senior executives have remained unchanged. As a result, it has become more and more difficult to attract high-quality individuals from the private sector to fill our senior executive positions. They are not willing to take the reduction in salary which would be required.

Recruitment from within the Government has also been adversely affected by frozen executive salaries. Those individuals who would normally compete for our senior executive positions are not doing so because such a promotion would not provide any increase in pay or any prospect of an increase in the future. Because of the $50,112.50 pay ceiling, we now have senior executives and managers at seven different levels of responsibility all receiving the same salary. Thus, there is little incentive to seek a more responsible and difficult position when there is no difference in salary.

These same factors of inadequate and compressed salary levels are the basis for our retention problems. Those senior executives who resign to accept employment in the private sector frequently cite a significant salary increase as the reason for their decision to leave. Many of those who have recently retired have done so because continuing to work with no increase in salary would have resulted in a lesser civil service annuity than they received by retiring immediately.

One facet of the Senior Executive Service which most of its members initially regarded as a true benefit was the performance bonus. The actions taken to limit such bonuses have, however, caused them to be more a source of additional frustration than a positive aspect of the Senior Executive Service. The combination of salary cap and bonus limitations has created a feeling of betrayal among Senior Executive Service members which has influenced many of their decisions to retire or resign.

In terms of feasible solutions, we believe that, as a minimum, the performance bonus system must be allowed to operate more effectively. We would also like to associate ourselves with the remarks of Dr. Devine recommending that capped employees receive a 4.8-percent raise this year.

While this solution would provide our senior executives a realistic chance to earn a performance bonus, it would not appreciably alleviate the pay compression which exists or provide any real help with regard to recruiting from the private sector. These problems can be overcome only if some meaningful long-term solution to our present executive pay problem can be found.

I will be glad to respond to any questions you may have.

Senator STEVENS. Has the Department got anything going on, any reviews or studies, as to what would be a meaningful compensation system to meet the needs of the Department of Defense?

Mr. KORB. We are associated with the studies the Office of Personnel Management is doing on this.

Senator STEVENS. But as far as you are concerned, right now the major reason for the exodus and the problems you are having with your people failing to seek promotion is the problem of salary?

Mr. KORB. That is correct.

Senator STEVENS. Compensation?

Mr. KORB. That is correct.

Senator STEVENS. Senator Eagleton raised an interesting question, that is—I think it is going to be raised again and again up here—what indication have we that lifting the pay cap is any answer at all? I mean is that going to be sufficient or must we have a new executive compensation system in order to stop this brain drain?

Mr. KORB. I think both must be done, Mr. Chairman, in order to alleviate the problem on a long-term basis. Immediately lifting the pay cap would provide some relief, but in the long term I think the Senator is correct. We must have a new system.

Senator STEVENS. I thank you very much. Any further statistics or information you can give us we would be happy to receive. We are going to keep this hearing record open for 2 weeks.

Is there a problem within the Department as to technical, highly qualified people as far as compensation is concerned?

Mr. KORB. Yes, sir.

Senator STEVENS. I mean is it separate and distinct? We are talking now about the area impacted by the pay cap which is by definition 15 and above or maybe 14 now almost. Is there anything different in that area of your operations as far as the compensation is concerned?

Mr. KORB. Mr. Chairman, about 80 percent of our civilians are in the technical areas so they would also be affected by this in addition to just the executives. But we are finding a very difficult problem in recruiting people with the technical expertise to come join us and we can provide you with letters, for example, that we received from a number of companies where we solicited people to nominate people for positions. We are also having a problem in that many of our technical people have skills that are in high demand in the private sector and we are constantly outbid for their particular services.

Senator STEVENS. Are you familiar with that one incident that took place with the technical people aboard the Navy vessel, actually in the Indian Ocean, where they went to work for a private contractor?

Mr. KORB. Then you are talking about our military people.

Senator STEVENS. These were civilians.

Mr. KORB. Then they became technical representatives. Yes. We also have the problem with our military.

Senator STEVENS. They had been civilian employees of the Department of Defense and resigned and went to work immediately for a technical representative organization in the private sector at a consequent cost of three times what it was costing before for their services?

Mr. KORB. That is correct, doing basically the same work.

Senator STEVENS. Exactly the same work. Do we have many examples of things like that that have been brought to your attention? We don't get that information on specifics very often. We get generalities. We see figures such as 156 people resigned, but they are not identifiable except when they get into the level of being head of some agency.

Mr. KORB. We hear of these through the grapevine and will see if we can provide you with some examples for the record, sir.

Senator STEVENS. I would appreciate it if you could, related to the pay cap I am talking about.

Mr. KORB. Yes, sir.

[Subsequent to the hearing Mr. Korb stated that they were unable to provide specific examples.]

Senator STEVENS. Thank you very much.

As I said, the record will be kept open for 2 weeks. If you do have any additional information, we would be pleased to have it. Thank you very much.

Mr. Otto, executive assistant director, Federal Bureau of Investigation.

TESTIMONY OF JOHN E. OTTO, EXECUTIVE ASSISTANT DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Mr. OTTO. Good morning.

Senator STEVENS. Good morning, sir. We are happy to have you here representing the Federal Bureau of Investigation. Do you have any opening statement?

Mr. OTTO. Just a brief one. In addition to my responsibilities over the Training and the Laboratory Divisions of the FBI, I am chairman of the FBI's Career Board. As such, I make recommendations to the Director for promotions through the Bureau's executive ranks. We have had similar experiences to those of the witnesses who have previously testified this morning. We have an increasing unfavorable trend of people within our managerial ranks leaving the career development program, due to the lack of financial incentives, and returning to field investigation.

The numbers are impressive to me because we have about 2,300 people who are involved in various stages of career development all the way from grade 14 to grade 18.

In 1979, for example, we lost 27 people who just elected to return to investigations and not participate in administrative advancement at all. Then in 1980, that figure jumped to 308. This year we have a continuing increase in the numbers that are leaving the program entirely. It is an optional or voluntary participation that we have in the FBI and at any time you choose, you can join the advancement process or return to investigations.

The most dramatic problem that I experience is that we cannot attract individuals into the program in any suitable numbers with the suitable expertise or quality that we would like. In fact we are convening a conference at our training academy in Quantico tomorrow to try to cope with this difficulty. Of course, in the FBI, as in so many other Government agencies, promotion generally brings about a transfer. There is a real crunch at that point, in simply not being able to economically afford a promotion.

What a promotion means so often these days is a progressive decline in your standard of living after each successive transfer. The experience that I have had I think is fairly common in the Bureau. In a 14-year period—I will be in the Bureau 17 years October 12—I experienced 10 transfers. There was a dramatic decline in our standard of living after the last several transfers.

It gets to the point where you are financing these transfers or portions of them out of your own savings. In our case, college funds were expended that we had set aside for our two children. I hasten to add my experience is not unique, but is a fairly common one.

Many agents are leaving as soon as they become eligible in the FBI, after reaching 50 years of age with 20 years of service. There are some fairly dramatic figures on this that I think are comparable to the rest of the Government service. In 1978, in the senior grades, we had 20 such retirements and 65 percent of them were people who had just reached age 50. In 1979, we had 35 and there were 80 percent of those that were eligible. Then in 1980, we had 42 retirements of our administrators and 90 percent of them had just reached age 50.

So trends are certainly away from being able to attract and then retain the kind of administrative experience that we find so necessary in the Bureau. It takes years for the development of executives who can be so flexible, work long hours, sustain transfers and include an individual who is capable of often having to make life and death decisions for us.

So beginning tomorrow for about the next 4 days of this week, a conference at Quantico will be held to try to work out ways within the existing pay scale and other restrictions, such as inadequate reimbursements for transfers, and so on, to keep our program alive and viable.

Senator STEVENS. My staff tells me that you have recently had a survey of all the supergrades. What subjects did the survey cover?

Mr. OTTO. The hardships that were encountered in connection with transfers and promotions. There were some fairly dramatic reactions from our folks at the top level of management in the FBI. I have some quotations here from that survey. One of them, fairly typical of this reaction, cited in May 1973, that he was a GS-14 supervisor and on May 1 was transferred to our headquarters here in Washington, D.C. as a supervisor in the organized crime section. He says:

> This transfer, of course, was billed as a promotion. I am now 45 and had one job or another throughout most of my life and share the general belief that the phrase "promotion" brings with it not only additional responsibilities of a greater magnitude but also salary increases. Had I remained in the field office as a Grade 14 supervisor I would now be earning the exact same salary as I now make as a SAC. While assigned in the field office, I was frequently the recipient of monetary incentive awards for superior work and if I was still there, I would probably receive one or more incentive awards a year which would mean in effect that I would be making more money as a supervisor than I now make as a SAC. Continually as SAC I am attending dinners and retirement parties associated with the law enforcement community at considerable personal expense, which expense I would not be incurring if I was assigned as a GS-14 supervisor.

He continues on in that vein and cites numerous other personal examples of how as you go along up the ladder as I mentioned earlier, the standard of living continues to decline.

Senator STEVENS. Have you done any studies of the situation that was mentioned by Mr. Devine, the transfer from El Paso to New York? When you move an agent from an area of lesser reponsibility to greater responsibility, he suffers a financial loss not only from the move itself but because of changes in income taxes of New Mexico as compared to New York and of the cost of living in New York as compared to New Mexico? Has the Bureau done any studies of those?

Mr. OTTO. Yes, sir. That is in this supergrade survey that we took. I would be glad to make that available to the subcommittee.

Senator STEVENS. Do you have any solution? Our lifting the pay cap won't necessarily change that.

Mr. OTTO. The lifting of the pay cap would, of course, encourage people to enter into the career development program because they could see progress, at least financial progress, along the way. The other aspect of it, of course, is the costs attendant to a transfer. There is a one-time shot that is a pretty substantial out of pocket expense that you are not reimbursed for. Compounding this is when you sit down in the spring of the year and start to prepare your income tax return and see that the expenses you were reimbursed for beyond $3,000 are being taxed once again and usually the income puts you in a higher tax bracket. So you usually average somewhere in the area of $3,000 or more in lost income to the Internal Revenue Service.

The other continuing problem is when you go to purchase a home. In my case I was the agent in charge of our Chicago office when I was transferred back here in August 1979. It was just about the time when the real estate market experienced considerable trouble around the country, especially in Chicago, for some reason. We took 11 months to sell the house and during that time you are apart from your family. There are emotional hardships that defy description, which continue afterward. Once you are successful in selling the house, to continue a somewhat reasonable standard of living to which you think your family is entitled for the sacrifices of transfers, you try to acquire a new house. By then your mortgage interest rate, as you know, has gone up considerably.

In my case one-half of my disposable income was skimmed off because of the increased mortgage interest rates. So in other words while in Chicago, my disposable income was twice what it is today, or less if you take the inflation eating away at it.

Senator STEVENS. Have you come up with any solution other than lifting the pay cap as far as your problem is concerned within the Bureau and your rotations and moves and your problems of expenses?

Mr. OTTO. Internally we tried in every way possible to reduce or eliminate career promotion-type transfers through many vertical promotions. We also implemented on May 1 a stationary supervisor program. We have about 436 grade 14 supervisors in the field running bank robbery squads, organized crime squads, what have you. We took about half of those and designated them as stationary positions, that is, you would participate as a supervisor without having to be required to transfer back to headquarters or somewhere else in the management ranks to satisfy the needs of the Service. For a 5-year period you can remain at that post and then you can step aside and return to investigations if you choose.

This attracted a good number of people but we are not going to be able to use their valuable experience if they are not available for promotions through the ranks to become agents in charge of field offices or for divisions back here at headquarters.

That was one of the solutions we arrived at. We are also working on SES legislation for the FBI. As you know, we are an excepted service in the Government and did not participate in the previous SES program. We are trying to develop an SES legislative package of our own and after the Department of Justice and OMB approval, bring it up here. Perhaps with an SES program there would be some ways in which we could reward our senior executives for their service.

What we are getting to, sir, is perhaps a career program in the Bureau that would force us to almost eliminate transfers. That would be undesirable, I am confident.

Senator STEVENS. I am a former U.S. attorney. I think it would be very undesirable. I think the transfer policy of the Bureau was a wise one. Even in the early period of service of the FBI, there were transfers that were meaningful in terms of experience and growth as far as the agent was concerned.

I would hate to see that changed because of that pattern. Again, I am confident that my colleagues in the House and the Senate who vote for this pay cap would never take into account the impact on the FBI. I am glad that you took the time to come up and give us those. We would appreciate having a copy of that study.[1] I have already indicated to the Director, to your people, this subcommittee would be most willing to work with you on the SES legislation for the FBI.

Mr. OTTO. Thank you very much, sir.

Senator STEVENS. Thank you.

Mr. Socolar of the GAO.

TESTIMONY OF MILTON J. SOCOLAR, ACTING COMPTROLLER GENERAL, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY CLIFFORD I. GOULD, DIRECTOR, FEDERAL PERSONNEL AND COMPENSATION DIVISION

Mr. SOCOLAR. Thank you, Mr. Chairman.

Senator STEVENS. Good morning, sir.

Mr. SOCOLAR. Good morning.

I have with me Mr. Clifford Gould, who is the director of our Federal Personnel and Compensation Division.

Senator STEVENS. Mr. Gould, nice to see you again.

Mr. GOULD. Good to see you, Senator.

Mr. SOCOLAR. I have a statement that is largely iterative of what has been said this morning and with your permission I would like to have it introduced into the record.

Senator STEVENS. We will print it in full.

Mr. SOCOLAR. I will use the time that I have available here to sum up where we in the General Accounting Office come out on this whole issue.

Senator STEVENS. Thank you.

Mr. SOCOLAR. It seems to me that with seven levels earning the same pay, topped out at some $50,000 a year in today's economy, that the situation with regard to Federal pay is nothing short of absurd. The attractiveness of retiring early is virtually solely a function of the pay compression situation. It is not so much a question of great desire to or benefit from retiring early as it is a question of the economic folly of continuing to work under capped pay.

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[1] See p. 240.

We are losing many of our best people and something needs to be done about it.

In my view there are some four actions that are critical to the situation. First, I think it is essential to separate the congressional salaries from the salaries of the civil service. It is essential at least to allow the scheduled cost-of-living increases to go into effect in full. It would be helpful to allow the bonus provisions under the Senior Executive Service program to operate as initially legislated, rather than being cut back to a 25-percent or a 20-percent figure. And in the final analysis, with the Quadrennial Commission system having been set up in legislation for the purpose of assuring that Federal pay is commensurate with pay in the private sector, it is important to allow that system to function as initially envisioned in the legislation.

Those are the things that I think need attention and are the kinds of actions that should be taken and I would be glad at this point to respond to any questions you may have.

Senator STEVENS. Thank you very much.

In terms of the studies that we know have been done throughout the Government that indicate there is a connection between the pay cap and this increasing exodus from midcareer and senior service—I am sure if Senator Eagleton had not had to step out he would have asked the same question—what reassurance do we have that lifting the pay cap will in any way alleviate the problem?

Mr. SOCOLAR. I think it is a function of how the system operates together. With the retirement system being indexed and with assurance under present legislation that a retired individual will have his retirement income increased as the rate of inflation requires, and with a pay cap on salary if one continues to work, it is not difficult to see that the economic advantage is to retire. Additional service under a capped pay puts one further and further behind in terms of retirement income that an individual would be entitled to in any particular point in time. It is simply a function of the system.

Senator STEVENS. It almost seems to me that there is a developing attitude that the pay cap is an indication of a continuing discrimination against those people who are in the executive service. And that is becoming a symbol that leads to retirement. Would you share that feeling?

Mr. SOCOLAR. I don't know that I would state it exactly the same way, but it is clear that in terms of the thought processes, in terms of the feelings of people in the civil service, that there is something so wrong with the way the pay system is geared that people are not asking themselves so much what benefits they may have. They simply want to get out as quickly as they are able to.

Senator STEVENS. I think your agency, more than any other, could document whether we are right or wrong that it would be cost effective to lift the pay cap. As a matter of fact, I think you indicated in one letter to us that you had that impression. Can you document that it would be cost effective to raise the pay cap?

Mr. SOCOLAR. Yes, I think we can.

Senator STEVENS. How much time would it take you?

Mr. SOCOLAR. I think we have already documented it, as a matter of fact. The very letter that you refer to contained, as I recall, an example of what the total Federal outlay would be under certain assumptions given an individual who retired under the present system as opposed to that same individual being compensated at the higher rate without the pay cap. The first came out to show that it was cost effective to raise the pay cap and allow that individual to remain in the work force.

Senator STEVENS. You are confident from your studies that a substantial number of the people who are seeking this early retirement would stay on if that pay cap were not there?

Mr. SOCOLAR. We see certainly from historical evidence that today, for example, some 95 percent of those who became eligible to retire in the immediate past have retired whereas when the pay cap was not a factor, the retirement rate was much, much less.

Senator STEVENS. That is across the Government?

Mr. SOCOLAR. That is correct.

Senator STEVENS. Thus, the pay cap does impact the retirement decisions?

Mr. SOCOLAR. That is correct.

Senator STEVENS. Do you have any suggestions as to how we can meet the problem of linkage with congressional pay without facing the problem of congressional pay increases at the same time we take off the pay cap? If we are lifting the pay cap, it could automatically bring about a congressional salary increase.

Mr. SOCOLAR. It might be possible, for example, to link the congressional pay to other indices that would perhaps be more appropriate even with regard to setting congressional pay. For example, there are other elected officers throughout State and local governments, say Governors, for example, whose average pay could be tracked with the congressional pay being linked to that index as it rises.

Senator STEVENS. Have you ever done any studies of the 50 Governors' compensation patterns, or patterns of compensation of State legislators?

Mr. SOCOLAR. We do have some figures as to what the congressional pay would have been had it been linked to that kind of rise, I believe.

Mr. GOULD. Yes. I believe Jule Sugarman, deputy director of OPM in the prior administration, looked at that type of an index. He indexed it to the average salary increases of the Governors. Let me just check on what the exact figure was. We will get that number.

Senator STEVENS. You can provide it for the record. Have you developed an index of the compensation of State legislators?

Mr. GOULD. I am sure that information can be obtained. I don't think we have done it, sir. I would like to address your specific question on the Executive Salary Cost of Living Adjustment Act of 1975, about lifting the pay cap without raising congressional salaries. Unless you pass additional legislation relating to congressional salaries, it seems to me the only way you can do this is through some sort of appropriation limitation.

Senator **Stevens**. That is the way I see it. It has to be done in an appropriations bill to begin with.

We appreciate it very much. I would be interested to see if it would be possible to get an index that would tie executive level salaries to something like the Governors' salaries and tie the congressional salaries to a composite of the indices of the State legislators. They are making tough decisions out there, too, but their collective judgment seems to be a lot different than the equivalent here in Congress.

Mr. **Socolar**. We can take a look at that and refer it back to you.

Mr. **Gould**. In connection with the average salaries of the Members of Congress, if they had been linked to the same rate as the average salary index of Governors, if you used this method since 1969, it would have provided Members of Congress with an annual salary of $73,440 as opposed to their current salary.

Senator **Stevens**. That is very interesting. [Laughter.]

I would like to see how that would tie to the State legislators and see what has happened there.

Mr. **Gould**. We will see if we can get that information.

[The information referred to follows:]

ANALYSIS OF SALARY INCREASES FOR STATE GOVERNORS AND STATE LEGISLATORS

Because of concerns that it has become "institutionally impossible" for the Congress to vote directly on increasing its own salaries, the former Deputy Director of the Office of Personnel Management, in December 1980, suggested a possible alternative pay and adjustment mechanism for Members of Congress. In lieu of the present linkage of congressional and executive salaries, he suggested that the Congress enact legislation authorizing the Comptroller General to adjust congressional salaries based on a comparison with the average increase in salaries for Governors (elected officials like Members of Congress) over a base period. For example, if 1969 were used as the base period, the average salary for the Governors has increased 72.8 percent. Based on that figure, congressional salaries would be set at $73,440.

Since 1977, the salaries of Members of Congress and other top Federal executives have been increased only 5.5 percent. Over that same period, the 50 Governors, on the average, received salary increases totaling 15.5 percent.

Such a congressional pay adjustment process could be wholly outside the control of the Congress. It would be based on 50 independent decisions by states and might more clearly reflect the value which the public places on the services of elected officials.

We were unable to make a valid, meaningful analysis of changes in states' legislative salaries. Unlike Members of Congress, such positions at the state level are not full time. State legislative sessions are shorter; they also vary in length from state to state.

Available data on state legislative salaries and other compensation was incomplete and too inconsistent to permit valid comparisons. Some states reported salary only; others also included daily per diem and certain other unvouchered session and interim expense allowances.

Senator **Stevens**. Thank you very much. We appreciate your courtesy in appearing at the hearing.

Mr. **Socolar**. Thank you.

[The prepared statement of Mr. Socolar follows:]

U.S. GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 9:30 a.m.
September 14, 1981

STATEMENT OF

MILTON J. SOCOLAR
ACTING COMPTROLLER GENERAL

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE,
AND GENERAL SERVICES
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

ON

"THE GOVERNMENT BRAIN DRAIN"

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to present the General Accounting Office's views on the "Government Brain Drain" caused by the inadequate salary levels, irregular pay adjustments, and distorted pay interrelationships of top Federal officials. This is one of the most critical but perhaps least understood and appreciated problems facing the Government today.

Because of appropriation act pay restrictions, about 34,000 top Federal officials at seven different levels of responsibility now receive the same salary--$50,112.50. This creates a multitude of recruitment, retention, morale, and other problems. Continuing the $50,112.50 pay cap into October 1981 will extend the pay compression to an eighth level of responsibility--the top steps of GS-14 and equivalent positions in other pay systems. If that occurs, about 46,000 Federal executives and senior managers will be receiving the same salary. The situation is absurd.

The Congress must face up to executive pay compression and its related problems. If allowed to continue, executive pay compression and its resulting adverse effects on the recruitment, retention, and morale of Federal executives and senior managers threaten to undermine the Senior Executive Service (SES) and other important reforms the Congress mandated in the Civil Service Reform Act of 1978. Effective management and operation of Government programs may be very critically at stake.

In a series of reports, letters, and testimony since 1974, we have highlighted the adverse effects of denying reasonable salaries to Federal executives. We have advocated an executive pay system that provides competitive salary levels, meaningful pay distinctions to recognize differences in responsibilities and performance, and incentives to encourage valuable, experienced executives to stay in the Government. The Congress has not responded, and a bad situation has gotten worse.

The Congress, in 1980, reduced the maximum number of SES members that could receive performance awards (bonuses) from 50 percent, as authorized by the Civil Service Reform Act, to 25 percent. Subsequently, the Office of Personnel Management (OPM) further limited bonuses to 20 percent of career executives and also limited the size of bonuses that could be awarded. Federal executives were due a 9.1 percent pay increase in October 1980, but appropriation act language prohibited payment of this increase just as the 7.02 percent raise due them in October 1979 was denied. In its December 1980 report, the Commission on Executive, Legislative, and Judicial Salaries recommended substantial increases in executive pay levels. The President, in January 1981, recommended an immediate 16.8 percent catch-up increase in executives' salaries, but the Congress rejected the President's proposal.

In our June 8, 1981, letters to the Chairman of this Subcommittee and to other key congressional leaders, we strongly urged the Congress to (1) discontinue the appropriation restriction on payment of the salary increases which were due top executive and legislative branch officials in fiscal years 1980 and 1981 and (2) allow whatever increase is granted General Schedule employees in October 1981, and in subsequent years, to be paid also to top Federal officials as provided by law.

Subsequently, however, the House Appropriations Committee and a Senate Appropriations Subcommittee have voted to continue the appropriation pay restrictions for fiscal year 1982. The House Appropriations Committee also voted to continue the 25-percent limitation on SES performance awards; the Senate Appropriations Subcommittee voted to limit SES performance awards to only 10 percent of career executives.

Because of these restrictions, the Government is losing its most valuable, experienced career executives at a time when our country can least afford it. The turnover rate among career executives has increased dramatically. Many have resigned citing as factors the continuing pay ceiling, lack of regular pay adjustments, and higher paying non-Federal jobs. Within GAO, for instance, we recently lost to the private sector two of our exceptionally capable young SES members; both felt compelled to leave Government service when offered immediate substantial increases in pay and the potential for even greater monetary rewards in the future.

Experienced executives at the peak of their managerial career are retiring early at alarmingly high rates; 3,137 top executives retired in 1980, compared with only 508 in 1977. The rate of retirement for executives at the pay ceiling increased from 17.6 percent in March 1978 to 67 percent for the 12-month period ended August 31, 1980. Most executives are retiring as soon as they become eligible. Among career executives aged 55 to 59, the rate of retirement during that 12-month period was an astonishing 95 percent. Since October 1979, 20 of GAO's 116 senior executives have retired; today, only four of our executives who are eligible to retire have not done so.

Government-wide, the morale of remaining Federal executives and senior managers is low. Recent surveys of executives' attitudes indicate clearly a growing, widespread dissatisfaction, frustration, and bitterness over continuing pay ceilings; irregular pay adjustments, and limited performance awards. Many career executives perceive the pay freeze and actions to limit the number and size of SES bonuses as a breach of faith; many believe they were misled in having been induced to join the SES by the prospects of pay levels commensurate with their level of responsibility and awards for outstanding performance.

Pay compression also adversely affects the recruitment of senior executives and managers. The Administration and executive agencies, reportedly, are finding it increasingly difficult to attract talented, experienced executives from the private sector, State and local governments, and nonprofit organizations because most of them would have to accept too large a reduction in pay to join the Federal ranks. Within GAO, we find that advertising our vacant executive positions does not attract sufficiently qualified non-Federal applicants.

Pay compression has other adverse effects. For example, it creates incentives and impetus for agencies to use SES rank and performance awards as a secondary compensation system to recognize various factors-- such as job difficulty, degree of responsibility, and salary and service history--which customarily are, and should be, reflected in basic salary levels. Although there are six SES pay levels distinguishing SES jobs in terms of responsibility and difficulty, virtually all SES members now receive the same salary. As long as this continues, there will be a tendency for Federal agencies to use rank and performance awards to compensate for deficiencies in the executive pay-setting and adjustment processes.

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Effective Government does not just happen; it needs good people to run it. Executives and senior managers comprise only a small segment of the Federal work force, but this group is one of the most vital factors for assuring the success of Government programs. To effectively manage Federal programs which affect the life, health, and safety of all Americans, the Government must obtain and retain capable professionals and executives.

Especially in today's environment, experienced executives are needed to offer and properly execute workable solutions to the ever-increasing demand for better services and increased productivity. With continuing inflation, declining productivity, and mounting pressure to further reduce the level of Federal spending, U.S. taxpayers need and deserve the best managerial talent available.

To help enable the Government to meet successfully the enormous challenges it faces in these difficult times, allow the SES to operate as envisioned, and help assure the eventual success of civil service reform, we strongly urge the Congress to discontinue the appropriation restriction on payment of the scheduled salaries of top Federal officials. Allowing top officials to begin receiving the pay adjustments which were due them in October 1979 and October 1980, and will be due them in October 1981, would prevent a bad situation from worsening and provide needed pay increases to senior executives and managers. Since March 1977, the executive pay ceiling has been increased by only 5.5 percent. During that same period, the Consumer Price Index has risen by about 50 percent; Federal white-collar pay rates have been increased by 32 percent; and private sector executive pay has gone up over 30 percent. To correct this inequity, the 1980 Commission on Executive, Legislative, and Judicial Salaries, which was composed of distinguished private citizens, unanimously recommended Federal executive salary increases averaging about 40 percent.

We recognize that the Congress is reluctant to allow an increase in its salaries. Consequently, other top Federal officials have also been denied their required increases, whether or not the same concerns applied equally to them. If, because of these concerns, the Congress wishes to continue withholding the pay increases from itself, we suggest that funds be appropriated to permit the increases required by the Executive Salary Cost-of-Living Adjustment Act of 1975 (Public Law 94-82) to take effect at least in the executive and judicial branches and for nonelected positions in the legislative branch. By following this legislated principle, the Congress can, as a minimum, prevent the salary muddle that has plagued the Government for over a decade from becoming worse every year.

That concludes my statement, Mr. Chairman. My colleagues and I will be pleased to answer any questions.

Senator STEVENS. Mr. Jerry Shaw, president of the Senior Executives Association, accompanied by Gerard R. Esposito, Regional Director of Appeals, North Atlantic Region, Internal Revenue Service.

TESTIMONY OF G. JERRY SHAW, PRESIDENT, SENIOR EXECUTIVES ASSOCIATION, ACCOMPANIED BY GERARD R. ESPOSITO, REGIONAL DIRECTOR OF APPEALS, NORTH ATLANTIC REGION, INTERNAL REVENUE SERVICE

Mr. SHAW. It is a real pleasure for us to appear before you again, Mr. Chairman, on behalf of senior executives. I have with me today Mr. Gerard Esposito, who is here on his own time at the association's expense to testify about his personal experiences as a Government executive.

Senator STEVENS. Good morning, sir.

Mr. ESPOSITO. Good morning.

I have worked for the Internal Revenue Service for more than 20 years now. Beginning my career as a revenue agent at grade 5, I worked my way up through the technical ranks and then through the entry, middle, and top management levels. In 1973, I was selected for my organization's executive development program which I completed successfully, and subsequently, I was promoted to the position of Assistant District Director in Seattle, Wash., in March 1975.

I was promoted to District Director in Fargo, N.D., in 1977 and, about 2 years later, I received a promotion to the Regional Director of Appeals in New York City, the position I now hold. I have dedicated myself to the advancement of the public interest, and I have continually sought to fulfill my appointed responsibilities to my utmost ability.

Each of these promotions required extensive relocations, greater responsibilities, and new demands upon me. For example, my most recent promotion was from Director of a district with less than 140 employees to a Regional Director of an operation which covers 7 States. I now manage more than 320 employees with a workload of appeals cases with proposed deficiencies in excess of $3 billion. To effectively manage an operation of this size involves a great deal of time away from home at the various field offices to insure, among other things, that we effectively meet the needs of the public. This requires substantial sacrifices by my wife and three children as well as by myself.

I accepted these additional responsibilities willingly. Yet one would think that, with these greater burdens, I would have concomitantly received greater remuneration and benefits. In fact, however, because of the pay lid, inflation, moving expenses, increased mortgage interest payments, income tax on reimbursements, increased commuting costs, utilities, and other necessities, my losses and cost of living have soared while my income has remained unchanged since 1978. First, allow me to substantiate these losses and the rise in my cost of living.

No. 1. Sales of personal residence. Although I made a small profit on the sale, I was forced to drop my price by more than $10,000 to sell the house in North Dakota quickly so that my family could relocate together. There were many other houses similar to mine on the market at the same time. The price reduction was designed to capture the only buyer in the market at our price range. While this may be considered a paper loss, it did leave us with $10,000 less available cash to put down on our new home.

No. 2. Since moving into our new residence, we have had to invest about $6,000 to make our new home more liveable. Such items as storm doors and windows, carpeting, and conversion of our heating system to save money and energy are very costly.

No. 3. Moving expenses. Unfortunately, the Government inadequately reimburses us for the costs of relocation. More often, we in Government must subsidize part of the costs of moving. In my instance, this amounted to approximately $2,000 to move household goods, for temporary quarters, house-hunting costs, and relocation of self and family.

No. 4. Income tax on reimbursement. The taxable amount of moving expense reimbursements added on to my income was about $4,500. The tax on this totaled nearly $2,200. This additional expense was particularly hard to accept since I had already lost so much on this move.

No. 5. Increased mortgage interest payments. With less capital available to reinvest, we were forced to take a larger mortgage loan. Although our present home is nearly comparable with our former home, we have had to pay $130 more per month due to higher interest rates. Being unable to secure a conventional mortgage, we had to settle for a mortgage which requires a "balloon" payment of the unpaid principal in 3 years. This means that in about 15 months, I will have to pay off the loan or seek refinancing at interest rates that have already reached levels we cannot afford. We may be forced to sell our home before the 15 months expires for whatever we can get to avoid even greater losses when the loan falls due.

No. 6. Increased commutation costs. These costs increased from $40 a month in North Dakota to more than $189 per month in my present location. My commuting costs are scheduled to increase again in January 1982 to more than $235 per month, and additional increases are projected each January for several years thereafter.

In addition, to meet our special requirements for education and to stay within an affordable price range for homes, we had to settle in an area which extended my round-trip commuting time from 30 minutes in North Dakota to 4 hours in my present location.

No. 7. Utilities and other necessities. My present cost of electricity and oil far exceeds that which I paid in North Dakota. It also appears that my electric bills will be increased shortly. This amounts to an increase of $100 per month.

One can see that up to now this move has cost me more than $10,000 out of my own pocket—not including the amount shown for sale of personal residence—and my net available cash each month has been reduced by more than $600. My wife has been forced to take a job to help offset most of this reduction. However, real estate taxes are due to increase next month by some undetermined amount, my commuting expenses will probably go up another $45 in a few months, and my electric bills will also probably increase. Without a pay raise, it will be extremely difficult to manage even with my wife working.

These costs could have been better absorbed had my pay increased as I had anticipated it would. Instead, my present annual salary remains at the $50,112.50 pay-cap ceiling as it has for the past 3 years. When I moved to New York City in 1980, there was discussion of lifting the pay cap and adjusting salaries to that proposed for the Senior Executive Service by the President, meaning that on October 1, 1981, I would be earning a minimum salary of $61,000. This was a significant factor in deciding to move. On the other hand, had I remained in Seattle, Wash., I would be earning the same amount I am currently, but without the dislocation and disruption to my wife and children, greater costs—which forced my wife to take a job outside the home—and added responsibilities. In retrospect, I would have been wiser to have foregone my promotions. Is this the Government's idea of incentive? Is this a means of gaining the most experienced people, of building morale, of promoting efficiency and diligence? How much longer can this dichotomy exist between reasonable expectation and reality?

I have worked energetically and honestly for the public good with my primary goal being to increase efficiency and productivity in Government. This is an occupation I enjoy, feel successful at, and wish to remain in, but with the current pay situation, I am finding it harder to rationalize such a commitment.

I firmly believe that something must be done to alleviate these problems; to provide economic incentives to encourage rather than discourage promotion; to alleviate the financial burdens of relocation, and to maintain the experienced and proven successful individuals who now and in the past have maintained and run the best government mankind has ever fashioned.

I thank you for this opportunity to testify, and I am prepared to answer any questions you might have.

Senator STEVENS. As you know, I am trying to do something about the moving expense problem. I have a bill to make those expenses deductible, and if that were the case, that tax assessment for the taxable income item you mentioned would disappear. This situation should not be. It is absolutely a crime that we don't recognize the increased cost to employees as they are transferred. It is not just Government. It affects all of the people who have to move as a result of their employment and who should receive additional compensation to offset that cost.

Your statement is most directly to the point. I find myself in the position of having no alternative but to say I wish that all my colleagues could hear it. I will see to it that they get a chance to read it anyway. But it does seem to me that there ought to be an incentive for moves such as you have made. As you went through them, I remember some of the moves that I have made with my family, in similar situations. They are hard on the families and they do reduce the ability to meet your family's needs when you have to suffer losses like that. But we will do our best to get the pay cap raised this year. I don't know whether we are going to do much about some of the other problems that you have mentioned.

Mr. Shaw, did you have a statement, sir?

Mr. SHAW. Yes, Senator, I do. Thank you.

I would just like to point out, I know it is redundant, but I would like to point out that the two moves Mr. Esposito made were for promotions because he was successful at his job, not because he was a failure and the latter one, a tremendous amount of pressure was put on him to make that move because the Service needed him where he went.

You have heard the rewards that he received for responding to that need by the Government.

As you know, Senator, the Senior Executives Association is a voluntary association of Federal executives, and we are committed to good Government through improved management practices. The senior executives of the Federal Government are the trustees of Government, carrying with them the experience of years of successful service that have made this Government the most effective in the world. They are also the insurance of the future of this Government—the mentors to potential executives and the creators of the environment for effective public service.

Largely because of the pay cap, both that experience and that future are seriously at stake. Not only are our most able executives leaving Government service, but our potential executives, the mid-level managers, are ceasing to enter it in the first place. I point to the comment by Mr. Otto from the FBI to support that statement.

The current situation provides almost no incentive to those who would stay with the expectation that remedial action will be taken to correct the situation. There really is no demonstrated commitment that the future will be better. In fact, many of those now retiring can recall former executives going almost 10 years in the 1960's and 1970's without a pay raise. They do not want to repeat that kind of history—nor do their potential successors. But not much relief is on the horizon.

I believe we have been in serious trouble for some time. But I believe we may soon find ourselves without reasonable remedies. Federal executives gave almost universal support to the CSRA. The bipartisan support in the Congress for those reforms—especially for the SES, was echoed throughout the upper echelons of Government as a breath of fresh air for management. Instead, CSRA is proving to be an ill-wind. The bonuses, sabbaticals, mobility, pay, and professional opportunities that were to compensate for the increased responsibility and risk have almost universally failed to materialize.

Since the passage of CSRA, OPM reports that the average age in the SES has fallen by about 3 years, and more importantly the average length of service has fallen by about 2½. These reflect what I have learned from anecdotal evidence throughout the past year—our most experienced and marketable executives are leaving at the first good opportunity—some to an unnecessarily premature retirement and others to lucrative private sector positions.

To cite, as some do, the evidence that Federal executives like their jobs and to use this as evidence that pay issues are relatively unimportant, seems to beg the question. Federal executives like their jobs because they find Government work exciting and purposeful. They are dedicated public servants. But even these values have a price. I know of very few executives who are leaving Government happily; but make no mistake about it, they are leaving or trying very hard to leave. And worse, when their subordinates ask about Government career opportunities, they are no longer giving encouraging advice.

In some circles there has developed a certain cynicism about the ability of Government executives to leave the Government. While that may be true in some fields, a large percentage of Federal executives are indeed very marketable—over 50 percent of the SES for example is composed of scientists, lawyers, and engineers—professions affording considerable transferability of skills.

But even for those fields where lengthy Government service makes mobility more difficult, the issue remains one of motivating and keeping effective the considerable talents in which we, the people, have invested years of development. The Government has everything to gain and nothing to lose by being a fair employer.

The Federal pay cap was an instrument given birth by the idea that no Federal executive should get paid more than a Member of Congress. However, the Federal senior executive has been asked to ignore the fact that Members of Congress receive substantial fringe payments, hidden—yet legal—enhancements and other benefits to which no Federal senior executive is entitled and, in fact, are prohibited from receiving by law.

Herein, lies the fallacy and basic inequity when trying to equate top senior executive salaries with those of Congress. It is estimated that congressional compensation above the statutory salary ranges between $35,000 to $45,000 a year. We do not begrudge Congress their salary, benefits, and outside income. We strongly believe they deserve more.

But to hold hostage those making far less in order to force their own pay increases is less than fair or equitable. As each senior executive ponders the harsh and dry Department of Labor consumer price indices—CPI—to compare his or her present pay levels with those of past years, it becomes crystal clear that each has experienced a devasting—and to some, everlasting—erosion of real purchasing power over the past decade.

Since January 1971, executive salary rates and the resultant compression have distorted traditional and rational pay relationships. This continuously worsening situation has adversely affected hiring, retention, and motivation of all Federal executives and managers. A GS-14, step 9, will, next month, receive the same pay as an Executive Level V. This means that seven pay levels of employees throughout the Federal establishment will receive the same salary with vast differences of responsibility. The situation to those in the senior executive corps is intolerable, inexcusable, and incomprehensible. Just think—the day has now come when 46,200 employees with widely varying levels of responsibility in grades 14, 15, 16, 17, 18, ES-1, 2, 3, 4, 5, 6, and Executive Level V, all receive the same salary—$50,112.50.

As a result of these pay inequities there has been and continues to be a massive exodus of top Government executives. They are retiring at the earliest possible moment; they are resigning in the prime of their careers—they are quitting. According to statistics provided to us by OPM, the retirement rate for Federal executives in the 55-59-year-old age group who are at the pay cap was 15.5 percent in March 1978, 28.9 percent in March 1979, 76.6 percent in March 1980, and 94.7 percent in August 1980. Nine out of every ten leave at the earliest opportunity. This represents a loss, not to the individual but to the Government and the American public.

The new statistics OPM has come up with today do not necessarily support the old statistics which they provided to us in a document which was put together by them.

In fiscal year 1970, when Federal salaries were unaffected by the present ceiling, the differential between the pay of an employee in the first step of GS-12 and the pay of a GS-18 employee was 150 percent. After the fiscal year 1975 pay increase, the differential had narrowed to 95 percent and under the proposed fiscal year 1982 pay increase, the differential will narrow to 77 percent.

Looking at it another way, the CPI shows that the senior executive who earned $36,000 in 1972 now needs to earn $78,000 in 1981 to retain his or her 1972 purchasing power. In fact the Government executives' purchasing power right now in 1972 dollars is less than $26,000.

President after President and Congress after Congress refuse year after year to even approach fair compensation for career executives. If any other segment of our society was so unfairly treated, it would amount to a national scandal. If this problem existed in private industry, the "free enterprise system" would come to a screeching halt. Whether the public realizes it or not, this unfairness has created a crisis in Government, and the brain drain will increase each month. Even at this moment, I predict another senior executive has resigned or given notice of retirement.

In the Halls of Congress, the White House, and the Office of Personnel Management, it is being argued that any raise in top officials' salaries and other compensations would be inappropriate now in light of the President's economic and budget goals. But equal consideration must be given to the need to obtain and retain the highly trained and experienced executive, scientist, or medical doctor responsible for decisions involving vast sums and managing the congressional and Presidential programs affecting the Nation's economy, welfare, and security.

This last week the Congress did not find it difficult to vote very large pay increases for military officers and enlisted people when the situation had been allowed to get so bad that they could not retain the people necessary to run the military. The same situation now exists among senior executives and we do not understand why it would be any more difficult to face up to this problem for senior executives than it was for the military.

In addition, this is not a dollar item—the actual cost to the taxpayers is not just miniscule, it is nothing. First, the total cost of the elimination of the pay cap for senior executives would be a maximum of $180 million according to OPM. I changed that today based on Dr. Devine's testimony, because the figure they had given us before was $130 million. Approximately 40 percent of this would immediately be returned to the Treasury in taxes, leaving a net of $78 million. Officials from every agency I have talked to have stated that they would absorb the actual dollar cost to the agency, and no additional appropriations would be needed to pay for the raise. In essence then, the demise of the pay cap would, in fact, be a great incentive to increased productivity since the raises would be absorbed.

The GAO study establishes that it actually cost the Government $64,000 over a 3-year period for every executive who retired and must be replaced. The taxpayer is actually losing money because of the losses of executives to retirement.

I did a little addition and subtraction and figured out that based on the $21,000 per retired individual loss to the taxpayer, in the last 2 years the Government has lost $32,340,000 because of executive retirements.

After listening to Dr. Devine today it appears that the response of the administration is not to deal with the causes of the problem by raising the pay cap, but to deal with causes of the problem by raising the retirement age so as to force those who would retire to stay. Instead of equity, indentured servitude. If one is foolish enough to choose Government employment as a career and is good enough to rise to the rank of executive, we can apparently be assured of no pay raises, no support for adequate pay by our political superiors, and if we try to retire or have trouble resigning because our skills only fit the Government which we have dedicated our lives to, then the Government will attempt to make us an indentured servant for our economic life by extending the retirement age.

This is intolerable, unjustified, and a situation that begs for congressional action.

OPM has changed their figures on the retirement rate for executives in their testimony today. But their own statements show that the resignation rate has gone from 142 from July 1979 to July 1980 to 221 resignations among senior executives from July 1980 to July 1981. This is a 65-percent increase in resignations in the Senior Executive Service in 1 year. I submit that if any private sector organization had that kind of losses among their executives, they would fear for their existence.

In the final analysis we must agree with the findings of the Brookings Institution referred to on page 1 of the Comptroller General's Report of July 31, 1980, that the determination of Federal executive pay describes the kind of government Americans want and the relationship of Government officials to the citizens they serve. Continuation of the executive pay system as it now exists will precipitate adverse consequences in Government at every level.

If the Federal government wants to maintain "in-house" competence so that it can continue to be a smart buyer in the highly esoteric world of modern day management, science and technology skills, it must remain competitive with the real world. In the United States, the real world happens to be private industry.

It is in our—the Senior Executive Service—interest to serve the public and our President with the highest of competence and integrity. Isn't it reasonable and beyond doubt to conclude that the most important ingredient needed to obtain and retain the best and brightest is to pay competitive salary levels? If action isn't forthcoming in this Congress, the problems will only get worse and may become impossible to solve because of the massive amounts of pay it would take to solve the problem.

The Senior Executives Association is, in fact, receiving numerous requests from our membership to assist them in finding private sector jobs. We have been asked to investigate the possibility of establishing an "employment service" for executive and management placement in private industry. The individuals may well wind up being the winners—the Government will be the loser.

I would like to quote from Tony Radspieler's article in the Government Executive, January 1981:

> A President's capacity to manage crises and lead depends upon his top management team. If it is a streamlined, motivated, effective instrument, the President is effective; if it is weak, uncoordinated, dispirited, he is ineffective.

Dr. Devine's statement this morning and OPM's own survey establishes the fact that Government executives are disillusioned and angered over what has happened to them.

Our recommended actions to resolve the problems are:

No. 1, remove the congressional salary link to the executive schedule. This linkage has no legal basis or foundation, and there are few parallels between Members of Congress, who have held their own pay down for various reasons, and the executive schedules;

No. 2, at a minimum, set executive salaries at a level that would restore the decrease in purchasing power since 1969;

No. 3, set executive schedule rates so that pay distinctions will accurately reflect differences between levels of responsibility and performance;

No. 4, allow the annual adjustments for comparability increases under Public Law 94-82 to take effect to avoid the recurrence of our present problems;

No. 5, restore Senior Executive Service performance and rank awards to the levels originally legislated with oversight to be provided by the Office of Personnel Management;

No. 6, reimburse actual moving costs and purchase an executive's residence if it is not sold within 30 days of being placed on the market when he/she is requested to move by the Government. That is not something that is outrageous. This is currently done for the executives in the Postal Service and it is currently done in every large corporation in the United States. Moving expense reimbursement for moves for the convenience of the employer should be excluded from income under section 61 of the Internal Revenue Code.

I appreciate the opportunity to testify before the committee and I thank you, Mr. Chairman and distinguished members. I am prepared to answer any questions you might have.

We are thankful for your interest and your continued efforts to assist senior executives, Senator Stevens, for without you and a few others I don't think the story would even get told. Thank you very much.

Senator STEVENS. Thank you very much. Let me say this to you, Mr. Shaw. I do appreciate your coming and thank you and Mr. Esposito for your testimony. We have only one opportunity to get to this issue this year and that is in the continuing resolution. It will be before the Senate within a matter of days, probably 10 to 12 days.

In this period of time I would urge your members and those who are working with you to do everything they can to convince people in the private sector to join us in this. I have had people in the private sector comment about it, but I have never heard of anyone in the private sector that has gone out of his way to contact a Member of the House or Senate to tell them they think anything is wrong, with the exception of the people on the Pay Commission who all came to that conclusion. I think that was the unanimous position that they took.

Mr. SHAW. In fact, Senator, the unanimous position of the Pay Commission was a 40-percent increase last fall was necessary to bring it into line.

Senator STEVENS. I am talking about the pay cap and linkage. They were definitely totally opposed to the pay cap and linkage with the congressional salary. We will need all the help we can get. It will be a very controversial matter. I think it has to be raised this year.

Mr. SHAW. We will do all we can to encourage those in the private sector. In fact when we have met with them, they personally have been very encouraging. Many of them have been discouraged by the administration, however, from making any efforts. We will do what we can to try to change that.

Senator **Stevens**. Thank you very much This finishes the hearing. Thank you very much.

[Whereupon, at 11:45 a.m. the hearing was adjourned, subject to the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

FRANK R. WOLF
10TH DISTRICT, VIRGINIA

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September 28, 1981

Honorable Ted Stevens
Chairman
Civil Service, Post Office, and
General Services Subcommittee
Senate Governmental Affairs Committee
Washington, D.C. 20510

Dear Mr. Chairman:

Attached is my written testimony in connection with hearings before your Subcommittee on the Federal "brain drain" on September 14, 1981. I would very much appreciate your including this testimony as part of the hearing record.

I congratulate you on your recent efforts to reduce the effect of pay compression, and I look forward to working together with you, and others, to achieve an equitable result for our senior executives.

Sincerely,

Frank R. Wolf

Frank R. Wolf
Member of Congress

FRW:rap
Enclosure

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

STATEMENT OF CONGRESSMAN FRANK R. WOLF (R-VA)

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE,
AND GENERAL SERVICES
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

September 14, 1981

Mr. Chairman, I appreciate the opportunity to present testimony on the crisis of management we now have in government in attracting and retaining qualified and quality individuals to serve as senior executives. I commend you, Mr. Chairman, for your leadership on focusing attention in the Senate and elsewhere on the critical problem of the "government brain drain."

As we work to streamline government and direct the proper role of government in our lives, it is important to examine ways to maximize government effectiveness and efficiency. The effect of executive pay-setting practices on the attraction and retention of our top managers in government service has now reached crisis proportions. The ability of government to function smoothly and effectively is being seriously threatened.

The retirement rate for Federal executives in the 55 to 59-year old age group was 15.5 percent in March 1978, 28.9 percent in March 1979, 74.6 percent in March 1980, and 94.7 percent in August 1980.

According to statistical information documented by the General Accounting Office, the cost of paying a salary pension to a senior executive who retires early, plus the salary of a replacement for the executive amounts to $67,573 per retiree in actual dollar losses for the Government within a 3-year period. Raising executive salaries would actually be cost effective.

In response to my request, the FBI has provided me information regarding the effect of the pay ceiling on the recruitment and retention of employees within the executive ranks of the FBI and the cost involved in replacing retired employees. I ask that the FBI information be included at this point in the Record. The FBI experience is one which is echoed throughout the halls of the Federal bureaucracy. We must act now to resolve this pay compression problem which is destroying the heart and fabric of our Senior Executive Service.

Earlier this year I wrote to each Cabinet member regarding the effect on the recruitment and retention of senior executives. The Cabinet's responses have been enlightening and in most cases most encouraging. I think it would be appropriate to include copies of their comments at this point in the Record.

In closing, I want to assure members of the Subcommittee, and my colleagues in the Senate and House of Representatives, that I am committed to achieving a fair, equitable and long overdue resolution of the pay cap problem.

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September 24, 1981

THE IMPACT OF THE FEDERAL SALARY CEILING (FSC) ON RETIREMENT AND CAREER ADVANCEMENT OF FEDERAL BUREAU OF INVESTIGATION (FBI) EMPLOYEES

The FBI has 7,758 Special Agents (SAs) assigned throughout the United States and abroad. Approximately 16 percent, or 1,255 SAs, are assigned to management/supervisory positions in Grades GS 14 through GS 18 at FBI Headquarters in Washington, D.C., and throughout 59 field offices and 12 foreign offices.

The extremely complex and sensitive nature of the FBI's nationwide law enforcement responsibilities requires that its managerial personnel be extremely dedicated, highly trained and uniquely flexible with the capability of adjusting to long and continuous working hours, rapidly changing conditions and crisis situations. Management personnel are often required to make on-the-spot decisions on matters of great consequence which sometimes involve life or death circumstances. Such responsibility dictates that management personnel be trained in various aspects of the FBI's operations, requiring several transfers, many years of on-the-job training, and experience at various levels as a career executive employee advances through the ranks.

It is becoming increasingly more difficult to attract and retain the best qualified managerial candidates into management/supervisory positions. One of the principal factors contributing to this difficulty is our inability, due to the FSC, to adequately compensate personnel with salaries that are commensurate with their levels of responsibility. The adverse impact of the FSC within the FBI has been felt primarily in two areas: (1) the recruitment of investigative personnel into the management/supervisory positions; and (2) the retention of senior executive personnel beyond age 50, the minimum retirement eligibility age. With regard to the former, an increased number of potential supervisors are withdrawing from our Career Development Program (CDP), the name for our system of managerial advancement, since there is no financial incentive to justify their acceptance of an often costly transfer coupled with added responsibilities. For example, in 1979, 27 SAs and in 1980, 308 SAs withdrew from the CDP. During these same two years, 6 and 14 SAs, respectively, voluntarily stepped down from the position of Field Supervisor, a key management position. With regard to the latter, it should be noted that under the current Federal Civil Service Retirement System for Federal law enforcement officers, FBI SAs are eligible to retire at age 50 with 20 years of service and must retire at age 55 with at least 20 years of service. Participating employees contribute 7½ percent of their annual salaries into the retirement fund and annuities are based on a percentage of the "high-3" salary years.

In 1978, 20 senior executives retired with 65 percent doing so at the minimum eligibility age; in 1979, 35 such employees retired with 80 percent doing so at the minimum eligibility age; and in 1980, 42 senior executives retired with 90 percent having left immediately upon reaching minimum retirement eligibility age.

A recent survey revealed the following FBI executive personnel in Grades GS 14 through GS 18 will be eligible to retire over the next four years: 24 as of December 31, 1981; 48 as of December 31, 1982; 33 as of December 31, 1983; and 32 as of December 31, 1984. Each retirement of a top-level executive normally results in at least one replacement transfer. Each transfer costs the Federal Government an estimated $10,000.00. Also, each time an SA retires, a new SA must be recruited and investigated at a cost of approximately $5,000.00 each, and subsequently trained at an estimated cost of approximately $8,000.00 in order to maintain a full complement of personnel. The advantages to the Government of retaining a top-level executive beyond the minimum retirement eligibility age are obvious, particularly since ages 50-55 are within the peak performance level for an executive employee.

The inequity of the FSC and its impact on the FBI can best be illustrated by the following: With the 4.8 percent salary increase scheduled to become effective for Federal employees on October 1, 1981, a Field Supervisor in Grade GS 14, Step 5, will reach the FSC and begin earning the same salary as his superior, the Special Agent in Charge (SAC). The SAC would normally have greater seniority in FBI service; he would have experienced several transfers; he would have served in other managerial positions; and would have far greater responsibility as the SAC of a field office than a Field Supervisor. A Grade GS 13 investigator with no management responsibilities assigned to the lowest cost of living area of the country can make within $1,000.00 annually of the salary of an Assistant Director, the top career management position in the FBI. These examples of the disparities created by the current FSC are only two of the many that could be cited throughout the FBI.

(CONTINUED - OVER)

The Impact of the Federal Salary Ceiling (FSC)
On Retirement and Career Advancement of
Federal Bureau of Investigation (FBI) Employees

It is also noteworthy that retirees under the Federal Civil Service Retirement System receive Cost of Living (COL) increases on an annual basis. An employee being compensated at the same maximum salary rate for three years has little incentive to remain in Government service once he has reached retirement eligibility since absent a raise in the FSC, he will gain little in retirement income by remaining in Government service. There is, however, an incentive to retire since he will receive the annual COL increase. An increase in the FSC would serve as an inducement to remain in Government service since an employee, in addition to earning a larger salary, would increase the base of the "high-3" salary years.

The above demonstrates the problems being experienced by the FBI in the area of career advancement as a result of the FSC.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 1 1981

Honorable Frank R. Wolf
House of Representatives
Washington, D. C. 20515

Dear Frank:

I fully agree with the positive and supportive things you said about Federal employees in your June 10 letter. I know the President has a high regard for the Federal workforce that is shared by his Cabinet officers. You correctly note that, as a member of the Cabinet, I have first hand evidence of the dedication, integrity, and professionalism of Federal personnel. That certainly has been my experience at the Office of Management and Budget, and I expect that the qualities of OMB's employees are representative of those in the departments and other agencies.

While the Administration is determined to abolish, reduce, or otherwise change various Federal systems and programs, this should not be taken as an indication that we hold Federal personnel in low esteem. On the contrary, we well recognize that we need and depend on our employees to help make these changes and otherwise carry out the President's programs.

The recommended budgetary actions which directly affect Federal employees are part of an overall approach to budget and program reductions which was carefully thought-out and even-handed. This Administration is not calling on its own workforce to bear more than their equitable share of these cuts.

As I indicated to you during the recent Post Office and Civil Service Committee hearings, the Administration fully understands the seriousness and extent of the problems of inadequate and compressed official salaries. The President has expressed his deep concern about the ability of the Federal Government to attract and retain high quality executives. Nevertheless, we must have an order of priority, and current economic and budgetary conditions require that we first concentrate our resources on those problems. In collaboration with the Congress, we are making good progress toward putting in place the President's plan for economic recovery. Once we have done that, I believe the Administration appropriately can and should address the salary issue. In fact, we are already committed to working with the Congress toward an equitable and mutually satisfactory resolution of the salary problem.

I appreciate your letter and the opportunity to share my views with you.

Sincerely,

David A. Stockman
Director

DEPARTMENT OF EDUCATION
UNITED STATES OF AMERICA

THE SECRETARY
WASHINGTON, D.C. 20202

JUL 13 1981

JUL [illegible]

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Mr. Wolf:

Thank you for your letter and the complimentary remarks regarding Federal employees. I, too, believe that these employees show commitment and dedication in serving the public interest and in doing a superior job in the face of competing demands and criticism from the public.

I agree that the Federal Pay and Benefit Systems represent limitations to all concerned. While I would like to see Federal salaries and benefits competitive with those of the private sector, the current economic circumstances do not permit these changes. I do feel that, in general, the Federal workforce and particularly Federal managers do an excellent job. I intend to recognize excellence in the Federal workforce whenever it is demonstrated.

Thank you for your observations. I agree with your assessment of the situation and will be happy to work with you in increasing public confidence in Federal employees.

Sincerely,

T. H. Bell

U.S. DEPARTMENT OF LABOR
SECRETARY OF LABOR
WASHINGTON, D.C.

JUL 7 1981

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DATE: ________ DOC#________
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COMM: ________

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Congressman Wolf:

Thank you for sharing your thoughts with me regarding the quality and treatment of the Federal workforce. I emphatically agree with the views you have expressed.

I do have firsthand evidence of the dedication, integrity and professionalism of Federal employees. Within recent years, a number of the Department's employees have been cited for valor. Willis D. Ison of the Mine Safety and Health Administration lost his life while assisting in the rescue of miners overcome by an oxygen deficient atmosphere. He and two co-workers, Frank C. Mann and Ray G. Ross, were responsible for saving five miners. Three employees of the Occupational Safety and Health Administration, Gordon Krohn, Nancy Quick and Aurelius Smith, also knowingly risked their lives to evacuate employees from a toxic hydrogen sulfide atmosphere at the Horween Leather Company.

Actions such as these should help to reinstill the public's confidence in a capable, productive and motivated workforce. As you so aptly state, such confidence must be reinstilled if government is to become more effective.

Sincerely,

Raymond J. Donovan

Raymond J. Donovan

Rita

THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA

JUL 01 1981
JUN 29 1981

DATE: ________ DOC# ________
AIDE: ________ REC# ________
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COMM:

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Thank you for your letter of June 10, 1981 expressing your strong support of federal civilian employees. From my experience throughout the executive branch, reinforced by my observations since arriving in Defense, I second your convictions.

Just as the President and I are committed to doing everything in our power to rebuild the respect of their countrymen for our men and women serving in uniform, we are determined to rebuild the confidence of the civilian employees who support our military forces.

I recognize that this will not result from any single action, but rather from a host of steps to forge the mutual trust of which you wrote. However, I thought you would be especially interested in one small step we have taken. Accordingly, I am enclosing a copy of Defense '81, a magazine that goes to all our commands, in which the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) emphasized the importance of DoD civilians.

Again, thank you for your letter. Your support is appreciated.

Sincerely,

Enclosure

P.S. I fully agree with your views on the dedication, ability & loyalty of Federal Employees – In all of the Government posts I have held I have always found these fine characteristics.

Cap
(29th follows)

DEPARTMENT OF STATE
Washington, D.C. 20520

FW

JUN 30 1981

June 26, 1981

Dear Mr. Wolf:

Your recent letter to Secretary Haig, praising the character and achievements of Federal employees, was greatly appreciated. The Secretary has requested that we acknowledge your own praiseworthy efforts in their behalf, and assure you that he joins you in working to achieve a more effective and responsive government through increased attention to the legitimate concerns and needs of the Federal workforce.

Yours sincerely,

Richard Fairbanks
Assistant Secretary
for Congressional Relations

The Honorable
Frank R. Wolf,
House of Representatives.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

JUN 23 1981

JUN 24 1981

The Honorable Frank R. Wolf
House of Representatives
Washington, D. C. 20515

Dear Mr. Wolf: Frank

Thank you for your recent letter expressing your concerns about the Federal work force. In the few months that I have been in this position, I have been impressed by the professionalism and dedication of the employees of this Department. I share your concern that morale among these extremely capable and hard-working individuals is not what it should be. For example, as recently as June 3, I wrote to Chairman Ford of the Committee on Post Office and Civil Service concerning the recruitment and retention problems of top-level executives caused by pay-related matters. I am also concerned about issues which affect employees below the Senior Executive Service.

I can assure you that I will continue to do all that I can to develop and maintain an atmosphere which brings out the best in our employees and recognizes them for their efforts.

Sincerely,

Drew

Office of the Attorney General
Washington, D.C. 20530

JUN 24 1981

June 22, 1981

Honorable Frank R. Wolf
House of Representatives
Washington, D. C. 20515

Dear Congressman Wolf:

Thank you for your recent letter expressing your views about federal employees.

I can assure you that this Department is cognizant of the fact that good government is dependent upon not only well-trained and efficient staff, but also a staff that is highly motivated with good morale. In this time of budget constraints, I can assure you that the Department of Justice intends to accommodate the needs of its employees where ever it will be possible to do so.

Your interest in the Department is appreciated. Thank you for taking the time to write.

Sincerely,

William French Smith
Attorney General

R.F.

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

Legislative Counsel

19 June 1981

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Mr. Wolf:

Thank you for your most thoughtful letter of 10 June 1981 to the Director of Central Intelligence. It is most refreshing to occasionally receive a letter such as yours, when, more frequently, we hear only from critics. We in the Government are all striving to overcome the unfortunate negative attitudes frequently bestowed on all Federal employees, rather than the few who may be deserving of such criticism.

You have also touched on a very serious problem when you mention the Federal pay cap. Patriotism and loyalty should not be considered sufficient rewards in themselves. By limiting the salaries of talented and dedicated people who have so much to offer, we are doing our Government much harm. Yet so many of these affected individuals are forced to leave Federal service for more financially rewarding employment.

Again, my most sincere thanks for your kind words.

Sincerely,

Gordon L. Thorpe
Acting Legislative Counsel

F.J ✓
Jim

DATE: ______ DOC# ______
______ REC# ______
COMM:

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

July 6

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Congressman Wolf:

On behalf of the Department of Agriculture, I appreciate the opportunity to express our concerns relative to performance bonuses for career members of the Senior Executive Service (SES). For reasons which will be discussed below, the Department strongly supports the provisions of the Civil Service Reform Act of 1978 (CSRA) that allow performance bonuses to be paid to 50 percent of the SES positions in an agency. We oppose efforts to restrict the number of bonus eligibles such as those which occurred last year when the Congress imposed a limit of 25 percent of SES positions, and the Office of Personnel Management (OPM) mandated that no more than 20 percent of the career executives in an agency could receive bonuses. Within the Department, these changes eliminated approximately 140 potential bonuses, decreasing the number from slightly over 200 under the CSRA provision to 62 under the OPM guidelines.

The Department of Agriculture strongly supports the concept of a Senior Executive Service as embodied in the CSRA. That is to say, the Department is committed to the concept of a select corps of career executives. Within the Department, the success of our personnel management system depends on the participation and commitment of our Senior Executives.

It is because of the commitment within the Department to our Senior Executives and to the role that they play in our overall personnel management system that we are greatly concerned about current trends and attitudes that can affect the future of the SES. It is certainly no secret that the morale of the Senior Executives has been seriously ebbing due, in part, to perceived or actual changes in the original provisions of the CSRA, such as the bonus restrictions. Surveys, such as the one administered by the Merit Systems Protection Board (MSPB), all too vividly and dramatically illustrate this point. Career Federal employees gave up valuable job protection and security for the opportunities to earn substantial bonuses and other benefits provided for by the CSRA. As these benefits are eroded or abolished, the credibility of the system suffers.

While increasing the number of Senior Executives who may receive bonuses will not provide a panacea for the SES, it would certainly provide a good starting point for strengthening and improving attitudes towards the system. The MSPB reported that a majority of executives do not feel that a real opportunity for monetary reward exists in the SES and that non-pay benefits alone will not continue to be sufficient to attract and retain a high quality, committed executive work force. The likely result of such attitudes is that competent Senior Executives will leave the government and the SES will become less attractive to potential candidates. The MSPB survey results support this conclusion. While we have not formally surveyed Senior Executives in the Department concerning their attitudes towards the SES, we are aware that a morale problem exists. The changes in the number of bonuses that could be paid last year were not well received by our Senior Executives.

The bonus system also has repercussions for other aspects of the SES aside from the morale and attitudes of Senior Executives. Since bonuses are based on performance, the bonus system is of necessity closely allied to our Senior Executive performance appraisal system. An objective of the bonus system is to build credibility into the system by ensuring that executives buy the incentive notion that if they perform well, they will have a chance to be rewarded. In this respect, the bonus system should provide the wherewithal to build and strengthen executive accountability. As the percentages of those eligible to receive bonuses decreases dramatically, the credibility of the system decreases proportionately. As the credibility of the system diminishes, one also has to suspect that the time and effort needed to develop performance elements and standards and to evaluate Senior Executives will also diminish. If this occurs, repercussions for the Department's non-SES performance appraisal and merit pay systems will also be felt since these systems depend on support from the top managers.

USDA has developed a fine and objective system for determining performance ratings and bonus determinations. Our system has been cited by the Subcommittee on Civil Service and in the press for the inclusion of an appraisal of the challenge or risk-taking aspects of each position. Obviously, our system is dependent on the participation and involvement of our Senior Executives for its success, and as morale and attitudes deteriorate the system will suffer.

To summarize, we support the concept of the SES and the stated doctrine of the CSRA that "...the executive management of the government of the U.S. is responsive to the needs, policies, and goals of the nation and otherwise is of the highest quality." We are very concerned that this objective may not be met if the morale and attitudes of the Senior Executives are allowed to deteriorate. The decision to significantly limit the number of Senior Executives who could be awarded performance bonuses has in no small way contributed to the problems facing the SES. We, therefore, strongly advocate that the provisions of the CSRA relative to SES bonuses; that is, that agencies be allowed to award bonuses equal to up to 50 percent of their SES positions, not be tampered with. This will contribute towards improving the credibility of the SES and the morale and attitudes of those involved.

Sincerely,

John R Block

John R. Block
Secretary

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

JUL 6 1981

The Honorable Frank R. Wolf
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Wolf:

Thank you for your letter of June 10, 1981 expressing your concern about the American public's negative impression of the Federal work force and the need for this Administration to reinstill confidence in its employees.

I wholeheartedly agree with your views on the pay cap and the limitations on performance awards, both in terms of size and number, for members of the Senior Executive Service (SES). As I stated before the Senate Subcommittee on Civil Service, Post Office and General Services, 518 of this Department's 520 SES members receive a single pay rate of $50,112.50. Moreover, an appreciable number of our managers in seven successive levels receive that same salary. This entire situation not only creates morale and retention problems with regard to current high-level employees, but makes it extremely difficult to recruit quality candidates for SES vacancies.

Based on the Department's experience in implementing performance appraisal systems within the SES and for employees covered by the merit pay system, I am convinced that our executives and managers take performance management seriously. In addition, we find that the vast majority of our employees in these groups are performing at a fully satisfactory or better level. This October we will implement a new performance management system for our remaining approximately 140,000 employees who are not covered by the merit pay or SES appraisal systems. I fully anticipate that the results of the first evaluations under this system will again show a high level of performance by the majority of our employees. Hopefully we will have specific evidence eventually of accomplishments to counter the negative impression of our work force.

Page two - The Honorable Frank R. Wolf

This Administration is dedicated to improving the effectiveness and efficiency of Government operations. Like you, we are committed to a quality work force and to one that is treated fairly. I am pleased to know that you feel strongly about this since we will undoubtedly need your support in the Congress on measures which assist us to achieve that goal.

Sincerely,

Richard S. Schweiker
Secretary

Department of Energy
Washington, D.C. 20585

JUL 2 1981

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Mr. Wolf:

Thank you for your recent letter to Secretary Edwards, concerning our response to Chairman Ford on the pay-related recruitment and retention problems in the upper ranks of the Federal Government, and for sharing your thoughts on the subject. The Secretary is in agreement with your assessment that the Government cannot be made more effective, productive and responsive when it cannot retain its experienced senior executives and cannot compete adequately in the labor market for the talent it needs.

Thank you for your interest in the Department of Energy.

Sincerely,

for William S. Heffelfinger
Assistant Secretary
Management and Administration

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUL 1 - 1981

Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Frank:

Thank you for your letter of June 10, 1981 conveying very persuasively your thoughts on Government employees. There are many people engaged in work in this Department whose importance compares well to the many worthwhile groups of employees you cite. I can appreciate your concerns and share similar views of the value of our work force.

I hope the problems you have identified regarding employee compensation and recognition are resolved soon.

Sincerely,

Jim

SECRETARY

THE SECRETARY OF THE TREASURY
WASHINGTON

September 14, 1981

Dear Mr. Chairman:

Although I am unable to testify at your hearing on the problems associated with the recruitment and retention of senior executives, I wish to share Treasury's experiences with you and to offer our recommendations concerning compensation for Federal executives.

As you noted in your letter, much attention recently has been given to the Government "brain drain." Usually the articles referring to this phenomenon attribute the greatest share of blame to the pay cap on executive salaries.

One of the must frustrating problems facing the Department of the Treasury today is that of salary compression for our executives and managers, with over 1100 positions (based on the October 1, 1981, pay raise) from the Deputy Assistant Secretary on down through the bureau branch chief and specialist levels receiving the same $50,112.50. The new pay scheduled to take effect this October shows that GS-15 employees at steps 4 and above and GS-14 employees at steps 9 and 10 would be beyond the limitation set for level V of the Executive Schedule (50,112.50). In each successive year, if the pay cap continues, more and more employees will be subject to this pay limitation.

The Senior Executive Service was designed to establish an elite corps of Government managers who were to be recognized for their outstanding qualifications and performance by fixing their pay at any one of six SES pay levels and offering the potential for recognition through an attractive bonus system. The General Schedule system of GS-16, 17, and 18 virtually disappeared for Government executives with the advent of the "rank in the person" concept introduced with SES. In effect, the combination of pay compression and "rank in the person" did away with one of the few status symbols left to the executive, the distinction of GS grade based on the importance of one's position to the organization.

In accordance with OPM guidance, upon conversion to SES, nearly 75% of GS-16, 17, and 18 employees were converted at ES-4. Concern that agencies would not control the number of SES members placed at the highest SES rates (i.e., ES-5 and 6) and that agencies would award the maximum number of bonuses allowable in SES (50% of an agency's SES population), led to OPM and Congressional restrictions on the agency head's ability to encourage superior executive performance through effective use of a range of incentives. These restrictions served to frustrate one of the primary objectives of the Civil Service Reform Act - management flexibility. Thus, agencies found themselves with executive populations concentrated at the ES-4 level, regardless of their former stature in the organization, and the opportunity to award executives bonuses restricted to only 20% of the career SES population.

The relatively small differences among SES salaries which existed at the onset of SES were completely eliminated when the October 1980 comparability pay adjustment moved all of them to the pay cap.

The pay ceiling affects not only current salary but also future retirement earnings. An employee's annuity is based on his/her average annual salary during the three highest paid years of service - the higher the average, the greater the retirement income. By compressing salaries, the ceiling penalizes employees. This must be taken into consideration when an employee is planning to continue a career or retire. Continuation of the $50,110.50 ceiling will allow many employees to earn more retirement income by retiring early than by continuing to work. Since the "high 3" salary of the employee cannot increase over the pay cap, only additional service can increase the accrued annuity before retirement. However, each year of additional service increases an annuity by only about two percent of the "high 3" average which, due to inflation, is far lower than the present annual cost of living adjustment (COLA) paid to annuitants.

It is not difficult to understand why an individual of 55, with very marketable experience in, for example, tax law, would choose to retire, take a non-Government job, and thereby break through the pay cap barrier.

The foregoing considerations are important in determining the cause for the exodus we are now experiencing from our senior ranks. Since July 1979, Treasury has lost 130 SES members - 95 through retirement and 35 through voluntary resignations. This represents 23% of our total SES position allotment. Between the period September 30, 1981, and September 30, 1983, 100 more of our members will become eligible for voluntary retirement.

In comparing government salaries and bonuses to those received by executives with comparable responsibilites in private industry, we are not only unable to pay them what they are worth, but, we also cannot recognize all superior performers. Why should our managers accept jobs involving more responsibility, increased pressure, relocation, and a loss of purchasing power as the result of accepting a "promotion"? Most SES appointments and many reassignments are to positions with more responsibility in larger cities which almost always involve a higher cost of living due to massive increases in mortgage payments, state income tax, and property tax payments. There often is also a secondary wage earner who must seek new employment.

To quote one executive who recently relocated to New York City: "My family and I have found this move to be financially devastating. We've exhausted a good part of our savings and due to the increased cost of living in the N.Y.C. area, we were forced to borrow money from my mother to help cover some of the necessary costs. Our tastes are not extravagant, yet, because of limited available funds we are forced to live in a most uncomfortable fashion.

My family and I have paid a very large price these past several years to help further my career. We've lost money in every move we've made, but not to the extent we recently experienced in relocating to N.Y.C. Unless the relocation program within our organization improves, I can't afford another promotion. I'm not even certain that I can afford this promotion."

New York City used to be considered the extreme; however, with the current mortgage interest rates and high property values, this is no longer the case.

Executive placements in Treasury are intended to improve the efficiency and effectiveness of our operations. Yet, the pay cap, coupled with the expense of relocation, is costing Federal employees literally thousands of dollars to take new positions. Under the circumstances, it is not difficult to comprehend the reluctance of individuals to consider payless promotions into SES. This reluctance may best be demonstrated by the experiences of IRS in recruiting for its SES Candidate Development Program (which is its primary source for filling SES vacancies).

Until recent years, the number of applicants for the program has been sufficient to allow the Service to feel confident that as an executive vacancy occurred, there would be qualified graduates of the program ready and willing to accept reassignment. In 1978, there were 45 highly qualified candidates for the 1979 program. In 1980, there were 35 highly qualified candidates for the 1981 program. This year, there were only 27 highly qualified candidates. Since these programs were open to non-Federal employees as well as internal candidates, one can readily assume that executive positions in the Federal sector are no longer as attractive as they once were. If this decline continues, the Service will be caught in a paradoxical situation - retirements of executives at relatively young ages, because to continue to work would inevitably result in financial losses, and a shortage of highly qualified persons willing to enter the executive cadre due to the financial loss recognizable from the beginning.

No one is more conscious of this Administration's efforts to curb inflation and get the economy under control than we at Treasury. The facts lead us to conclude, however, that should the pay cap remain in effect, we will be perpetuating an upward trend in retirements and a downward spiral in our success in attracting executive material to Government service. This trend clearly is counterproductive to our efforts to improve Government operations.

The importance of executives as a key resource in large enterprises cannot be overlooked. Industry bids high for them, much higher than we can hope for in our top jobs. The present pay limitations are inhibiting efforts to attract and retain forcing us to lose this vital resource.

If some solution is not found, one can easily foresee lessened efficiency in Federal program administration and a level of service to the public that is less than it might be. This is coming about because of premature losses of experienced executives, because of lessened morale of those who remain, and because of increased limitations on their availability for more responsible Treasury positions, offering more responsibility, but no more compensation or recognition.

Just and equitable salaries for our top managers are in the best economic and public interests of the Government and the people. Doing something to keep them comparable on a yearly basis is long overdue.

As a minimum, the Department of the Treasury would support a move at this time to allow the pay cap to go up 4.8%. This would at least permit us to retain the status quo and not lose ground by creating further pay compression. We would also hope that once we have some sure signs that Government spending is under control, we can turn our attention to more permanent measures in the executive compensation area which will permit us to adequately recognize deserving Government executives.

OMB advises that this would be in accordance with the program of the President.

Thank you for the opportunity to present the Department's views on this critical issue.

Sincerely,

R. T. McNamar

R. T. McNamar
Acting Secretary

The Honorable
Senator Ted Stevens
United States Senate
Committee on Government Affairs
Subcommittee on Civil Service
  Post Office and General Services
Room 3302
Dirksen Senate Office Building
Washington, D.C.   20510

STATEMENT OF THE
AMERICAN ACADEMY OF FEDERAL CIVIL SERVICE PHYSICIANS
ON THE FEDERAL PAY CEILING SUBMITTED TO THE
SENATE SUBCOMMITTEE ON CIVIL SERVICE

These comments are made in regard to pending legislation before the Senate Subcommittee on Civil Service which would remove the cap on Civil Service pay for Federal employees. They reflect the views of The American Academy of Federal Civil Service Physicians, a professional association representing the approximately 3,600 Civil Service physicians employed in 36 agencies throughout the Federal Government, agencies which include mental institutions, military hospital out-patient clinics, prisons, the Indian Health Service, the National Institutes of Health, to name just a few.

The American Academy of Federal Civil Service Physicians is strongly in favor of removing the present ceiling on Federal pay. Our reason for taking this position is essentially twofold. First, the pay cap produces an inequitable disparity in pay between the Civil Service physician and his physician counterparts in the Department of Defense and Veterans Administration and most significantly the private sector -- a disparity that grows with every year that the pay cap is not removed. The second reason follows closely after the first and is self-evident, namely, that with growth in the pay disparity between the Federal doctor and his colleagues on the outside comes a growing exodus of qualified Civil Service physicians from Federal employment to more lucrative practice, either in DOD, the VA, or the private sector. In short, out of equity to the present physicians who chose the government service as a career, and in order to insure their retention in the Civil Service, removal of the present pay cap, or at least raising it to a higher level, is vital.

From the financial viewpoint, it is clear that practicing medicine in the Federal Government is not rewarding. Figures in the Journal of the American

Medical Association show that the average net income in private practice at the end of 1980 was $80,000. Even with the maximum $10,000 per annum allowance permitted under the Physicians Comparability Act, Federal physicians are restricted to no more than $60,112 gross. It is apparent then that even with the maximum allowance, most Federal physicians are sacrificing substantially to remain in the Government.

In a recent report on implementation of the Physicians Comparability Act by the Office of Personnel Management, recruitment difficulties were reported in agencies in spite of the PCA. In the Center for Disease Control, for example, it was found that it was difficult to recruit physicians with the required medical expertise to accept positions, particularly at the GS-13 level and higher. The report found that "low income in comparison to other employment options has been cited as a problem in attracting established medical specialists (in epidemiology, research, occupational medicine). Some of CDC's established medical specialists and administrators have reported receiving offers from non-Federal institutions with salaries ranging from $10,000 to $25,000 per annum over their Federal income. Applicants for positions in occupational medicine have reported receiving offers from other employers ranging from $7,000 to $20,000 per annum more than we could offer."

It is true that the Physician's Comparability Allowance Act has had some effect on mitigating the effects of the wide pay disparity between physician employment in the Federal Government versus employment in other areas. And while the Academy is strongly in favor of extending the PCA, it alone is an imperfect answer to the problem of Civil Service physician recruitment and retention. This is the case for several reasons. We believe, for instance, that the Act as it is currently written gives too much discretion to agency heads in defining recruitment and retention problems and allocating the bonus pay. Discriminatory and inconsistent implementation of the Act, which is inconsistent with Congressional intent, has been the result.

There are numerous examples of this arbitrary implementation which grew from the vague definitions and liberal discretion permitted in P.L. 95-603. The Federal Aviation Agency, for example, has granted no bonuses whatsoever since passage of the Act. This, in spite of high vacancy and separation rates among physician positions.

In some instances, institutions differed in their awarding of bonuses to members of the same category and located in the same neighborhood. Locally, for example, research physicians were offered bonuses by the National Institutes of Health, the Naval Medical Research Institute, and the Walter Reed Army Institute of Research. On the other hand, the commander of the Walter Reed Army Medical Center refused bonuses to research physicians (and all others) within his command.

The Washington Metropolitan area is particularly affected by the law. As physicians learn where bonuses are available in their categories they will leave their own positions if they are denied the bonus. It will be easy for many to find a position offering a bonus, either in the same area or in a different locality. Those that cannot find a suitable position will take more remunerative non-Federal employment until a bonus is offered for the position that they vacated. Some will then accept the new bonus for their old position but some will be lost to the Federal Service. This type of relocating can play havoc with the operations of hospitals not offering the bonus.

The worst problems occur where installations have only a few physicians in a particular category or subcategory. This is the case at the Department of Agriculture, Commerce, and Interior to name a few. Such physicians often occupy critical positions. They are difficult to replace and may be vitally needed. So long as the occupant stays in one place, the installation cannot demonstrate a recruitment and retention problem. Until he or she relocates, he or she will never receive the bonus, no matter how essential the position, nor how difficult it would be to fill if it became vacant.

The effect of the Physicians Comparability Allowance Act has waned for at least two other reasons which were noted in the OPM report recommending the Act's extension. As commented in the report by the Department of State, recent physician pay legislation for the Department of Defense and Veterans Administration has provided vastly superior financial incentives for their physicians and placed the Department of State -- as well as every other agency of the Federal Government which employs Civil Service physicians -- at a distinct competitive disadvantage in terms of recruitment and retention. As the report notes, "The Federal pay cap, combined with inflation-induced higher remuneration in the private sector, has again widened the gap between the compensation the Department [State] can offer and what the average physician earns in the private sector.... As the compensation differential between private practice and Foreign Service widens, fewer and fewer applicants find they can meet their financial commitments on the salary we provide." Certainly this is true in other agencies as well.

Such findings can easily be punctuated with personal examples of individuals who have decided to leave for financial reasons or who are on the verge of such a decision. A regional flight surgeon for the FAA in Alaska, for example, has observed: "I have been afraid to calculate my loss of earning power the past five years considering that I have been at the Federal ceiling with no pay increase during this time and the average inflation has been 12-14 percent. I'm afraid if I did do the figuring, I would force myself to look for other employment." Another physician who recently made the decision to leave government service at the National Institutes of Health informed us that "given the outlook for senior-level salaries with the Federal service, income was certainly a major factor in my decision making (to leave)." The former director of the National Institutes of Health, Donald S. Fredrickson, who resigned his position last July, noted that one of his reasons for leaving was the difficulty of recruiting qualified people for some of the Institutes key vacancies. As reported by Science magazine (July, 1981) on the Fredrickson departure, "filling those vacancies has become increasingly difficult. Salary limitations are one factor. With a top salary of $50,100 a year, and a bonus of $10,000 a year for MD's, institute directors make considerably less than their counterparts in medical schools. Conflict-of-interest rules, which preclude accepting fees for lectures and the like, impose another restriction that some find bothersome after a while. Although Fredrickson is not leaving for financial reasons, he does admit that they were a factor in his own decision, and experience confirms that many able people turn down NIH jobs because they can't afford to take them."

In summary, it is becoming increasingly difficult for the dedicated and qualified physician to serve in the Government. The financial lure of alternative employment has become already too great for many and the growing gap between pay in government medical service and its options serves as an inequity and breeds discontent for those who, at least for the moment, have decided to remain in Federal employment. Certainly extending the Physicians Comparability Allowance Act with stricter rules for its implementation by the various agencies is one answer to the problem. But equally important and effective is the removal or at least significant increase in the Federal pay cap.

Government service for the physician is a worthwhile and publicly-minded occupation. But it is one that will be chosen less and less frequently by qualified doctors unless Congress decides to make it a career option that is at least partially as rewarding financially as it already is personally and professionaly for those who have chosen to make Government service their careers.

STATEMENT

of

ARTHUR L. BURNETT
CHAIRMAN, COMMITTEE ON LEGISLATION,
NATIONAL COUNCIL OF UNITED STATES MAGISTRATES

As of September 1, 1981 the United States Magistrates system consisted of two hundred (200) full-time United States Magistrates. Of this number, ninety-two (92), almost one-half, have entered the system since January 1, 1977, within the past five (5) years, following the 1976 amendments to the Federal Magistrate Act of 1968, as amended, to clarify the jurisdiction and authority of United States Magistrates. The Magistrate Act expressly granted magistrates the authority to hear and determine most discovery and pretrial motions in civil cases and to conduct evidentiary hearings on motions to suppress evidence in criminal cases and in habeas corpus and prisoner litigation challenging conditions of confinement, frequently referred to as prisoner civil rights litigation, 28 U.S.C. §636 (Public Law 94-577). This expanded adjudicatory role as a pretrial judicial officer in all civil cases, including complex civil litigation, and increased trial-type evidentiary hearing role for United States Magistrates, attracted many lawyers in private practice with outstanding qualifications to become United States Magistrates. Many of these individuals were willing to accept a reduction in current or future income to accept these positions. The 1979 amendments further clarified and expanded the role of United States Magistrates to provide expressly for magistrates to try civil cases with consent of the parties, with or without a jury, with direct appeal to a United States court of appeals.28 U.S.C. §636 (Public Law 96-82). This has reinforced the trend of outstanding private practitioners as well as government attorneys applying for and being appointed to these positions. The private practitioners were willing, because of commitment to public service, the opportunity to improve the quality of the justice system, and the substantial judicial responsibility authorized by the Federal Magistrate Act as amended through 1979 to forego substantial greater earnings in the private sector. Government attorneys, who could have left government service to go with major law firms who would have rewarded them well for their substantial government experience, expertise, and litigation skills, instead chose to apply and become United States Magistrates.

Many of the United States Magistrates appointed since 1977 took these positions with the full expectation that the 1980 recommendations of the Commission on Executive, Legislative, and Judicial Salaries would have led to a substantial upward adjustment in salaries for all high level government officials, including all judges and judicial officers, to offset the ravages of inflation over the past four (4) years. Indeed that Commission recommended an annual salary of $75,000 per annum for full-time United States Magistrates and for the other two categories of non-Article III judicial officers within the federal judiciary--the Bankruptcy Judges and the United States Court of Claims Trial Judges.

A $75,000 per annum salary is not excessive compensation for full-time United States Magistrates performing the full range of duties authorized by the Federal Magistrate Act, as amended through 1979. In this connection, it is significant to note that during the period of July 1, 1980, through June 30, 1981, United States Magistrates disposed of 1,933 civil cases with consent of the parties, 611 actually going to trial. Magistrates conducted some 776 evidentiary hearings involving habeas corpus matters or prisoner petition litigation of the more than 14,000 such matters they reviewed for the district courts. Magistrates served as Special Masters in 564 cases, ruled on 43,691 pretrial and discovery motions in civil cases, recommended disposition of an additional 7,324 case dispositive motions, and conducted 23,109 pretrial conferences in civil cases. In dealing with criminal matters, in addition to handling initial bail appearances of defendants in criminal cases and conducting preliminary hearings, magistrates disposed of 95,152 criminal misdemeanor cases, 14,208 of which involved penalties of up to one year in prison. They also performed many other significant judicial duties within the scope of functions authorized by the Federal Magistrate Act, as amended.

The role of the United States Magistrates in handling pretrial discovery disputes and other civil and criminal motions, in serving as Special Masters, and presiding over civil trials has contributed to a substantial increase in the productivity of the federal district courts, greatly increasing the number of civil cases disposed of per judgeship. Indeed, in 1975 the Senate Judiciary Committee in considering a bill to increase the maximum salary level for full-time United States Magistrates observed that the evidence it reviewed indicated that the magistrate system had become a virtually indispensable supplement to the overworked federal judiciary, and thus the increase in salary was well justified. S. Rept. No. 94-624, p. 3. With the 1976 and 1979 amendments to the Federal Magistrate Act greatly expanding and clarifying the authority and functions of United States Magistrates, these observations should apply today with even greater cogency.

A telephone survey of the full-time United States Magistrates conducted by us disclosed that a significant number of these full-time United States Magistrates will resign and enter private practice if there is no significant increase in their salaries between now and December 1982. Lifting the pay cap on salaries so that magistrates receive an annual salary reflecting the aggregate sum resulting from the annual cost of living adjustment provisions of 28 U.S.C. §461 over the past four (4) years, would avoid the loss of these outstanding individuals who have gained substantial judicial expertise and who are contributing greatly to the federal courts in coping with their ever increasing civil caseloads. Even a greater number of magistrates indicated that they would seriously consider leaving the system since they are in mid-life, with children about to enter or in college and have other expenses. A significant number of older magistrates without the obligations for minor children, or children in college, out of a sense of commitment to public service, stated that they were inclined to remain with the United States Magistrate system because of its intellectual challenge, their sense of commitment to public service, and the nature of the judicial responsibility they are now beginning to shoulder within the federal judiciary. Yet even these magistrates feel a strong sense of frustration and deprivation of just compensation for their endeavors, quite frequently involving 60-70 or more hours per week, and the impact that keeping their salaries down will have on the amount of their retirement annuities some five (5) or ten (10) years from now, if inflation continues its present course without comparable adjustments in annual earnings.

In this connection, it is significant to note that many full-time United States Magistrates have entered the system from private practice between the ages of 40 and 50, in mid-professional career, and coverage under the Civil Service Retirement system, even if they complete 16 or 24 years of service as a magistrate (full-time magistrates are appointed for eight (8) year terms) at current pay rates and under the existing civil service retirement system will provide an annuity barely sufficient to pay for food, shelter and other life necessities in a retired magistrate's old age. Assuming a salary of $53,500 per annum at the time of retirement over a period of three years, a full-time magistrate completing 16 years of service would under the current formula and calculations receive an annual pension of only $15,500. With 24 years of service, the magistrate's annuity would amount to approximately $23,700 annually, a sum even under 1981 standards, which would require a very austere existence, if inflation continues as in the past five years. Thus, in the future we will be asking the Congress to review the adequacy of the retirement system for full-time United States Magistrates and the other non-Article III judicial officers, who frequently are appointed to such positions between the ages of 40 and 50.. If these judicial officers are appointed after attaining the age of 50, the opportunity to obtain sufficient federal service to establish an entitlement to a meaningful annuity is even less.

We also wish to emphasize that judges and magistrates in entering judicial service are foregoing the potential of outside earnings because of strict judicial canons of ethics requirements, conflict of interest laws and regulations, and the need to keep reasonably current with their ever increasing caseloads. The review of legal briefs and memoranda, court decisions, statutes and regulations, and the writing of legal opinions, requires extensive work in chambers and at home, in addition to the time spent in the courtroom. This commitment of time and energy, frequently 60-70 hours per week, leaves little time for other outside earning activities, even teaching in a law school. The public should be informed by other public officials, the Bar, and the press that judicial salaries are not predicated on a forty (40) hour work week, and is modest compensation for the total time judges and magistrates devote to dispensing justice to the American public in the federal courts. Thus, the demands of being a proficient jurist require that judges and magistrates be free, to some degree, from the distractions of personal economic pressures so that they can devote their mental and intellectual energies and time to the expeditious resolution of cases and matters before them. Section 632(a) of title 28, U.S. Code, provides that full-time United States Magistrates may not engage in the practice of law, and may not engage in any other business, occupation, or employment inconsistent with the expeditious, proper, and impartial performance of their duties as judicial officers. Thus, the

Congress has already enunciated this policy which supports the principle we urge.

In conclusion, we wish to emphasize that the Congress in creating the magistrate system in 1968 recognized even then that "/a/ chieving the statutory goal of creation and maintenance of a system of full-time magistrates will require the fixing of attractive salaries, competitive with those earned by, or available to, attorneys qualified for appointment." The Senate Judiciary Committee then further observed:

> "Especially with regard to salaries of full-time magistrates, care should be taken to prevent false notions of economy from frustrating the purpose of the Act to improve the quality of judicial services at this level in our Federal court system." S. Rept. No. 90-371, p. 22.

These comments should apply today with even greater force when we consider the need to attract and retain full-time United States Magistrates fully capable of being as competent and as effective as district court judges. This is particularly true where magistrates under the Federal Magistrate Act can try any civil jury or non-jury case, regardless of the degree of complexity or what is at stake (provided the parties consent), with any appeal going directly to a United States court of appeals. They also have authority to hear and determine many complex non-dispositive discovery and pretrial motions in civil cases, report and recommend to district court judges the disposition of dispositive motions such as motions to dismiss or for summary judgment in civil cases and, in criminal cases, motions to suppress confessions, or evidence allegedly seized in violation of the Fourth Amendment.

Many outstanding and exceptionally well qualified lawyers have been appointed United States Magistrates since the last increase in salary compensation for these judicial officers more than four years ago. We are reasonably certain that many of these individuals will leave the magistrate system and the federal judiciary unless the pay cap is lifted and there is a significant upward salary adjustment in the near future. We urge the lifting of the pay cap so that there may be an appropriate upward adjustment in salary remuneration for all federal judges and judicial officers commensurate with the duties and responsibilities they shoulder. The salary setting mechanism for adjusting salaries of full-time United States Magistrates should result in a salary ratio of full-time United States Magistrates being compensated at ninety (90) percent of the salary compensation of district court judges. Appropriate consideration should be given to the fact that magistrates must contribute a portion of their salary to establish individual retirement benefits while judges do not. This is especially so, in view of the expanded scope of functions and the level of responsibilities now exercised by full-time United States Magistrates under the provisions of the Federal Magistrate Act of 1979, as well as the enhanced qualifications requirements for appointment.

On behalf of the National Council of United States Magistrates, I appreciate this opportunity to present this prepared statement urging the lifting of the pay cap and that such a limitation not be continued for the fiscal year of October 1, 1981 through September 30, 1982, as applicable to the compensation of all judges and judicial officers within the federal judiciary.

A SURVEY OF FEDERAL BUREAU OF INVESTIGATION SUPERGRADES REGARDING EXECUTIVE SALARY, FINANCIAL PROBLEMS, AND ADMINISTRATIVE ADVANCEMENT

SUMMARY

The following report is the result of a survey which was provided to all Federal Bureau of Investigation (FBI) managers at the GS-16, 17, and 18 levels. The purpose of this survey was to obtain information on their progression through the administrative ranks and to discover the effect that this advancement has had on their financial situations, their family lives, and their perceptions of career advancement. While soliciting major items of concern to each individual, the survey also requested suggestions as to possible solutions to these problems.

The survey was sent to 135 individuals. One hundred five responses were received, for a return rate of 79 percent. The largest single group of respondents was 41 and 42 years old and had 16 to 18 years of Bureau service. Nearly 50 percent had been in high level management positions for one to three years.

The following specific topics were addressed in this survey:

Transfers:

Three survey questions dealt with the number of relocations required during the respondents' Bureau careers. On the average, each individual has moved at least 6.9 times since joining the organization, with 3.3 of these moves occurring within the last ten years. It is significant to note that in the past three years, the average respondent has moved 1.5 times.

Promotions:

It was evident from the responses received that promotions closely parallelled the number of transfers. The average respondent has received 3.9 promotions within the last ten years, with 1.5 occurring within the last three years.

Salary Increases:

The survey presented this question from two different aspects - one dealing with actual dollar increases, and one dealing with increases which appear only on paper and do not result in any real salary increase. The data received indicates that the average individual received less than one (.7) actual salary increase. Respondents received twice as many "on-paper" salary increases (1.4) as actual salary increases (.7).

Financial Burdens:

Of the 105 individuals responding, 88 indicated some form of financial loss occasioned by the numerous transfers and the lack of sufficient remuneration for same.

Sixty-nine of the respondents offered specific examples of financial losses due to increased mortgage rates and mortgage payments far outstripping any salary increases brought about by promotions. Fifty-four of these individuals cited specific dollar increases in mortgage payments. The difference between their old mortgage payments and their new mortgage payments averaged $573 a month. The fifteen others spoke in terms of percentage increases. The difference between their old mortgage payments and their new mortgage payments amounted to an average of 68 percent per person. Nineteen others cited hardships in this area but were nonspecific as to dollar amounts or percentages.

These figures contrast sharply with the real salary increases experienced by those surveyed. Of the 27 individuals who cited changes in take-home pay resulting from their promotions, twelve indicated increases in take-home pay averaging $92 per month; ten cited decreases in take-home pay averaging $84 per month; four indicated no difference in take-home pay; and one cited a decrease in take-home pay but gave no specific dollar amount.

There were 37 respondents who chose to assign a dollar value to the total losses incurred as a result of their administrative advancement. These amounts refer specifically to nonreimbursable out-of-pocket expenses. The total losses incurred was $238,610 or an average of $6,450 per respondent.

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Twenty-two respondents cited the additional tax liability which occurs when Government reimbursement for closing costs and moving expenses exceeds the amount allowed by Federal regulations. The additional tax burden on each respondent averaged $3,860. Invariably, this resulted in the individual being pushed into an artificially higher tax bracket.

Other areas specifically addressed by the respondents were costs of temporary quarters, transportation of household goods, increased property taxes, and increased tuition fees for dependents. Eight individuals quoted dollar amounts spent on temporary quarters beyond the reimbursable figure which averaged $2,600 per person. Ten respondents cited specific outlays of funds in excess of the amount allowed for transportation of household goods which averaged $622 each. Five respondents indicated a significant increase in annual property taxes resulting from their moves, which averaged $1,364 per respondent. Four respondents cited increased costs in college tuition fees for their children. These occurred in states which require a one-year residency before students are eligible for regular resident tuition fees. The additional costs involved averaged $3,825 per person.

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It should be further noted that 91 individuals indicated that the foregoing hardships have caused long-term separations from their families. It was determined that they had been separated from their families an average of 5.3 months during their last moves. Such separations created not only financial burdens but psychological and emotional ones as well.

PROPOSED REMEDIES:

In setting forth solutions to the problems noted in the preceding sections, the respondents concerned themselves with two major areas - transfer and relocation expenses, and adequate salary.

All the responses indicated the need for more direct financial assistance from the Government upon transfer to a new location. As one individual commented,

> "Whether an employee is a support services employee or a top-level executive, the FBI transfers him/her because of the need for that individual's talents in a different geographical location. It is incumbent upon the Government to insure that the transfer, which is for the benefit of the Government, causes the least disruption to the employee and his/her family and that there is no financial disincentive to the transfer. Family separation and financial loss due to a transfer are considered the primary disincentives."

The following suggestions were frequently mentioned:

1. Government reimbursement should be free from taxation. Failing this, the maximum allowable amounts not subject to taxation should be increased.

2. The Government should provide temporary quarters at a constant rate in keeping with current prices for meals and accommodations, and the length of time allowable for temporary quarters should be extended to at least 60 days.

3. The Government should drastically increase the allowance for miscellaneous expenses. The present $200 is miniscule in comparison with current costs. Most respondents felt that this amount should be increased to at least $1,000.

4. The Government should pay all costs associated with a transfer. This would include all closing costs for both sale of old residence and purchase of new one.

5. The Government should increase present weight limit of 11,000 pounds on household goods.

6. The Government should assist in the sale of a home once a suitable period of time has elapsed (90 days quoted most frequently).

The respondents dwelt extensively on the need for just and adequate compensation for the increased responsibility they are asked to assume with each new promotion. Under the present system, increasing authority and responsibility fails to bring with it a concomitant increase in financial remuneration. Top-level managers see inflation increasing at a tremendous rate while buying power is continually decreasing. To offset such a situation, they suggested the following:

1. Remove the pay "cap" and allow all executives who have "topped out" to continue to receive cost-of-living increases similar to all other Government employees. Of all those responding, 62 (61 percent) favored raising the ceiling "cap" to $70,000.

2. Pay an annual bonus to all supergrades. Such a bonus might be determined by comparing mortgage rates between old and new duty stations and by paying employees the difference.

Some other suggestions offered, but with less frequency, are as follows:

1. Expand storage period for household goods from the current 60 days.

2. Explore the "home of record" concept currently in effect for the military service and the CIA. This would enable

an individual to be sent to his home area at Government expense upon retirement.

3. Give Soldiers and Sailors Act benefits to families with college students who lose residence status when forced to relocate.

In summarizing the various proposals set forth, one respondent noted,

> "All aspects of the plan should be designed to cause the employee to believe the Government appreciates the personal inconveniences that transfer causes and is sincerely interested in making it as smooth as possible rather than the current perception employees have - I am going to get hurt again. It is a financial and emotional punishment and does nothing but cause the employee to feel the Government has no real interest in his situation."

Career Motivation Factors:

One section of the survey asked for specific factors which motivated each of the respondents to become involved in the Career Development Program and to seek advancement within the organization.

Of the 104 respondents who addressed this topic, 99 (95 percent) mentioned increased responsibility, while 80 (77 percent) mentioned salary. Where responsibility and salary were mentioned together, 63 (83 percent) ranked responsibility as being more important than salary, while 13 (17 percent) reversed the order. Five (five percent) mentioned salary or salary-related items such as retirement as the only thing of personal importance. Sixteen (15 percent) mentioned responsibility or responsibility-related items as being of sole importance.

The respondents were also asked to comment on what effect their financial hardships have had on their career expectations. In responding to this question, the majority of respondents indicated that their expectations concerning administrative advancement have not altered appreciably. They entered into the Career Development Program knowing that it would entail personal sacrifice and that a certain amount of movement would be required. Being willing to accept these conditions, however, they also expected that they would be compensated in keeping with their ever-increasing responsibilities. What they did not expect was ever-increasing financial hardships and burdens on their family lives.

Perhaps the most important question in the survey was that which addressed the impact on the organization if no financial relief is forthcoming in the near future. Of the 105 respondents, 44 indicated they planned to retire as soon as they are eligible, 6 said they planned to quit immediately if they are given a better offer, 43 did not mention early retirement but did express concern over the pay "cap," and only 12 voiced a firm commitment to the Bureau regardless of financial losses.

An even more serious concern expressed by these individuals is the future organizational stability of the Bureau. With increasing frequency, individuals are opting out of the Career Development Program out of a basic concern for the emotional and financial stability of their families. Those young Agents who have demonstrated their capabilities are reluctant to become involved in administrative advancement and, thus, the organization will be deprived of potential, quality managers.

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INTRODUCTION:

In October, 1980, an Executive Salary Ceiling Questionnaire was sent to all Grade 16, 17, and 18 executives of the FBI. The following is a report of that survey:

The Survey was partially the result of a need to gather supporting data for the Commission on Executive, Legislative, and Judicial Salaries (Quadrennial Commission). Beginning in 1968, and every four years thereafter, four special Quadrennial Commissions have been created to review rates of pay for top officials in the Executive, Legislative, and Judicial branches of the Federal Government. Under existing statutes, Commission suggestions go directly to the President who, in turn, makes recommendations in his annual budget message to the Congress. Within 60 days of the President's message, each House votes separately on each of the recommendations for the top officials in the three branches of Government.

By letter dated September 30, 1980, the Department of Justice (DOJ) requested comments of five questions concerning executive salaries. The subject matter was of extreme interest, but the time frame inadequate.

C. R. McKinnon, former Assistant Director, Administrative Services Division, and J. E. Otto, former Assistant Director, Planning and Inspection Division, adopted a suggestion that an interim response be provided and a survey be conducted for additional data. The determination was made to include the entire population of supergrades due to the highly subjective nature of the needed information.

A response to the Quadrennial Commission, dated October 7, 1980, (J. L. Williamson, Personnel Officer, to Director, Personnel and Training Staff, Justice Management Division, DOJ) contained substantive information relative to the request. The response to the Quadrennial Commission was the result of contributions by ADIC New York, Planning and Inspection Division, Technical Services Division and FBIHQ Career Board.

William L. Tafoya, FBI Academy, Quantico, Virginia, was consulted concerning question coverage and format. It became apparent from discussions with SA Tafoya that the salary question was only part of the FBI's problem. Financial considerations encompassed a number of areas. Therefore, the content of the 21 questions was designed to obtain data as well as to provide organizational recommendations. A number of suggestions made by the contributors to the response to the Quadrennial Commission were incorporated to enhance coverage of the survey.

At the time this survey was conducted, there were 140 supergrade positions in the FBI of which 133 were filled by Special Agents, 2 by non-Special Agent personnel and 5 were unfilled. The two non-Special Agent supergrades responded to the survey but are not included in the following report due to the fact that they are not subject to the same career development progression as Agent personnel; i.e., they were recruited for their particular positions from outside agencies based on a need for specific technical expertise.

The survey data base for purposes of this report is 105 Special Agent supergrades of which 85 opted to identify themselves.

SURVEY QUESTION 1

"My current pay grade is:

( ) GS 16
( ) GS 17
( ) GS 18"

	RESPONSES RECEIVED	RESPONSES POSSIBLE	PERCENT RESPONDING
GS 16	64	82	78
GS 17	35	39	90
GS 18	6	12	50
	105	133	

Of 133 Special Agent supergrades surveyed 105 (79 percent) responded.

SURVEY QUESTION 2

"My age group is:

( ) 35-36
( ) 37-38
( ) 39-40
( ) 41-42
( ) 43-44
( ) 45-46
( ) 47-48
( ) 49-50
( ) 51-52
( ) 53-54
( ) 55"

AGE OF RESPONDENTS	RESPONSES	PERCENT OF TOTAL RESPONSES
35-36	0	0
37-38	4	4
39-40	10	10
41-42	21	20
43-44	10	10
45-46	16	15
47-48	16	15
49-50	13	12
51-52	8	8
53-54	5	5
55	1	1
No age given	1	1
	105	101 (due to rounding)

SURVEY QUESTION 3

"My length of service with the FBI as an Agent has been:"

YEARS OF SERVICE	RESPONSES	PERCENT OF TOTAL RESPONSES
10-12	2	2
13-15	19	18
16-18	40	38
19-21	25	24
22-24	7	7
25-27	9	9
28-30	3	3
31 and up	0	0
	105	101 (due to rounding)

SURVEY QUESTION 4

"My length of service as a supergrade (GS 16, GS 17, GS 18):"

YEARS OF SERVICE	RESPONSES	PERCENT OF TOTAL RESPONSES
less than 1	25	24
1 to 3	50	48
4 to 6	26	25
7 to 9	1	1
10 to 12	1	1
no response given	2	2
	105	101 (due to rounding)

SURVEY QUESTION 5

"Number of transfers as an Agent that resulted in a move (physical location)."

NUMBER OF MOVES	RESPONSES	PERCENT OF TOTAL RESPONSES
1	0	0
2	1	1
3	3	3
4	13	12
5	14	13
6	20	19
7	14	13
8	18	17
9	10	10
10	4	4
11	5	5
12	1	1
13	1	1
14	1	1
	105	100

The preceding table reveals that the average respondent has moved 6.9 times in his Bureau career.

SURVEY QUESTION 6

"Number of transfers in the last ten years (1971-1980) that resulted in a move (physical location)."

NUMBER OF MOVES	RESPONSES	PERCENT OF TOTAL RESPONSES
0	8	8
1	11	11
2	12	11
3	21	20
4	30	29
5	12	11
6	9	9
7	1	1
8	1	1
	105	101 (due to rounding)

The preceding table reveals that the average respondent has moved 3.3 times in the last ten years.

SURVEY QUESTION 7

"Number of transfers in the last three years (1978-1980) that resulted in a move (physical location)."

NUMBER OF MOVES	RESPONSES	PERCENT OF TOTAL RESPONSES
0	23	22
1	22	21
2	44	42
3	12	11
4	2	2
no response given	2	2
	105	100

The preceding table reveals that the average respondent moved 1.5 times in the last three years. Twenty-three respondents remained in place in the last three years. The remaining respondents moved 1.9 times in the last three years.

SURVEY QUESTION 8

"Number of promotions in the last ten years (1971-1980)."

PROMOTIONS RECEIVED BY RESPONDENTS	RESPONSES	PERCENT OF TOTAL RESPONSES
2	6	6
3	38	36
4	37	35
5	15	14
6	8	8
7	1	1
	105	100

The preceding table reveals that the average respondent received 3.9 promotions in the last ten years.

SURVEY QUESTION 9

"Number of promotions in the last three years (1978-1980)."

PROMOTIONS RECEIVED BY RESPONDENTS	RESPONSES	PERCENT OF TOTAL RESPONSES
0	13	12
1	46	44
2	29	28
3	15	14
4	2	2
	105	100

The preceding table reveals that the average respondent received 1.5 promotions in the last three years.

SURVEY QUESTION 10

"Number of salary increases (actual dollar increase) as a result of promotion in the last three years (1978-1980) (not including Cost of Living Increase (COL) or Within Grade Increase (WIGI))."

NUMBER OF ACTUAL SALARY INCREASES	RESPONSES	PERCENT OF TOTAL RESPONSES
0	42	40
1	44	42
2	11	11
3	4	4
no response given	4	4
	105	101 (due to rounding)

The preceding table reveals that the average respondent received less than one (.7) actual salary increase in the last three years.

SURVEY QUESTION 11

"Number of salary increases (paper only) in the last three years (1978-1980)."

NUMBER OF THEORETICAL SALARY INCREASES	RESPONSES	PERCENT OF TOTAL RESPONSES
0	13	12
1	46	44
2	29	28
3	14	13
no response given	3	3
	105	100

The preceding table reveals that the average respondent received 1.4 theoretical salary increases in the last three years due to restrictions on executive compensation as provided for in Title V of the Executive Schedule.

SURVEY QUESTION 12

"A most critical area is loss of disposable income (lower standard of living) by increased mortgage rates, higher cost of living in new location, increased tax bracket or tax jurisdiction. Give examples of situations where additional monies, such as higher salary, could compensate for financial loss. (Indicate year(s) of transfer(s), previous mortgage rate and/or new mortgage payment amount versus new mortgage rate and/or new mortgage payment amount. Compare these to take-home pay during same period. Include any other financial hardships incurred such as real estate commissions over allowable amount and additional income tax burden due to limit on reimbursement (exact amounts of loss if possible)."

The responses given in this particular survey question highlight the significant financial burdens which have been experienced by our top-level managers as they progress along the career path. Of the 105 individuals surveyed, 11 indicated that there has been no undue economic hardship on them because they were promoted in place with no resultant transfer, 6 other individuals failed to respond to this particular question. Of the remaining 88 respondents, all indicated some form of adverse impact occasioned by the numerous transfers incurred and the lack of sufficient remuneration for same.

Sixty-nine of the respondents offered specific examples of how increased mortgage rates and mortgage payments have far outstripped any salary increases brought about by promotion: Fifty-four of these individuals cited a specific dollar increase in mortgage payments which averaged $573 a month per respondent.

Fifteen others spoke in terms of percentage increases which amounted to an average of 68 percent increase per person. Nineteen others cited hardships in this area but were nonspecific as to dollar amounts or percentage rates.

These figures contrast sharply with the real salary increases experienced by those surveyed. Of the 27 individuals who cited changes in take-home pay resulting from their promotion, 12 indicated an increase in take-home pay averaging $92 per month; 10 cited a decrease in take-home pay averaging $84 per month; 4 indicated no difference in take-home pay; and one cited a decrease in real salary but cited no specific dollar amount.

There were 37 respondents who chose to assign a specific dollar value to the total losses incurred as a result of their administrative advancement. These amounts refer specifically to out-of-pocket expenses of a nonreimbursable nature. The total losses incurred were $238,610 or an average of $6,449 per respondent.

Twenty-two respondents cited the additional tax liability which occurs when Government reimbursement for closing costs and moving expenses exceeds the amount allowed by Federal regulation. The additional tax burden on each respondent amounted to an average of $3,860. Invariably this resulted in the individual being pushed into an artificially higher tax bracket.

The other areas addressed with some specificity by the respondents encompassed the questions of temporary quarters, transportation of household goods, increased property taxes, and increased tuition fees for dependents. Eight individuals quoted dollar amounts spent on temporary quarters beyond the allowable figure which averaged $2,600 per person. Ten respondents cited specific outlays of funds in excess of the amount allowed for transportation of household goods which averaged $622 each. Five officials indicated a significant increase in property taxes resulting from their moves which averaged $1,364 per respondent. Four respondents cited specific costs incurred in college tuition fees for their children. This occurred in states which require a one-year residency before students are eligible for regular resident tuition fees. The additional costs involved averaged $3,825 per person.

Set forth below are some specific examples amplifying the foregoing statistics:

Respondent 1.

> "In May of 1972, I was a GS 14, Supervisor. On 5/1/72, I was transferred to FBIHQ as a Headquarters Supervisor in the Organized Crime Section, which transfer was generally billed as a 'promotion.' I am now 45 and have had one job or another throughout most of my life and share the general belief that the phrase 'promotion' brings with it, not only additional responsibilitites of a greater magnitude, but also salary increases. Had I remained in a Field Office (FO) as a GS 14 Supervisor, I would now be earning the exact same salary as I now make as the SAC. While assigned in FO, I was frequently the recipient of

monetary incentive awards for superior work, and if I were still there I would probably receive one or more incentive awards a year, which would mean, in effect, that I would be making more money as a Supervisor than I now make as SAC. Continually, as SAC, I am attending dinners and retirement parties associated with the law enforcement community at considerable personal expense, which expense I would not be incurring if I were assigned as a GS 14 Supervisor.

In 1972, my family lived in a beautiful house in one of the best suburbs. My monthly mortgage payment was $74.13. Today, after significant upward mobility and many promotions, my mortgage payment is $1280.00. The mortgage rate has gone form 5¼% to 7% to 9% to the contemporary bargain rate of 11 3/4%. My personal records from 1972 to 1979 are in storage as a result of my most recent transfer; however, I do have on hand records relating to the nine months I was separated from my family as a result of the transfer at a time when the housing market was depressed. The following figures were put together in a very conservative manner, and the actual amount was probably between 5% and 10% greater than indicated below.

Lodging for me while my family was away	$2,249.86
Airplane tickets, purchased in order that I might visit my family:	$1,006.00
Food expenses for me alone	$3,075.00
Laundry (coin-ops & dry cleaners):	$ 162.00
1979 Federal Tax liability arising from reimbursable transfer expenses:	$2,860.31
State Tax liability, supra:	$ 498.86
Nonreimbursable real estate sales fee	$3,200.00
Movement of household goods from temporary house:	$ 550.00

Real estate commission on sale of temporary house:	$5,600.00
Paper loss on long held common stock sale in order to raise cash:	$7,800.00
TOTAL:	$27,002.03

In terms of my personal finances, the 'bottom line' of my 'promotion' was that the U. S. Savings Bonds and common stocks I had accumulated in recent years for my son's college education have been substantially depleted. To add insult to injury, the increased tax rates reduced my biweekly paycheck take home amount by $91.96."

Respondent 2.

"In November, 1976, as a GS 15 Unit Chief, FBIHQ, I was transferred as ASAC with no change in Grade. Our home mortgage rate in Virginia, which had been established for six years was at 7½ percent. Our new home was purchased with an interest rate of 10 percent and for approximately three months I was paying double payments inasmuch as our home did not sell quickly in Virginia. After an 18-month assignment, I was transferred to the Inspection Staff as an Inspector and spent approximately 9 months in that assignment. In March of 1979, I was reassigned as SAC, GS 16. Our new home was not purchased until June, 1979, due to the high school graduation of my son. Our mortgage interest rate was 12 percent. After 15 months I was transferred with a paper grade promotion to GS 17 without benefit of a salary increase. Our mortgage rate is 12 3/4 percent with the payment of 2 percent points which are nonreimbursable by either the Bureau or deductible as income tax deductions.

On each of the above four house closings, I lost a substantial amount of money due to the financial limit placed on reimbursement by the Government. Although there was a favorable tax decline in state income taxes and real estate taxes during two of the transfers, the resulting transfer has been a financial burden, if not a disaster, without any hope of recouping any amount from the Government. Had it not been for income outside of my Bureau pay, it would be most difficult to make ends meet. In this regard, I point out my real estate taxes, for example, are approximately $3,000 versus $600, a $2,000 loss or points paid to obtain a loan which are not reimbursable, and state income taxes of approximately $2,500 as versus no income tax. In addition, an excise tax of $60 per $1,000 evaluation on automobiles in new FO. Estimated loss is over $700. On each transfer, I lost a substantial amount of money on household goods. The last transfer I was charged $700 for excess weight after my wife and I packed everything ourselves. This has to be the height of ludicrousness since there is no way of reimbursement here - not even in income tax deduction.

Some additional areas of losses during these transfers that should be brought to light are in the reregistration and retitling of automobiles and pleasure boats, lost money in giving away substantial amounts of food in the freezer, having to pay for season tickets to sports events that have to be given up, maintenance of a home recently purchased which would not have to be done had I not been transferred, substantial financial loss in not being able to transport plants, increase in cost of tax preparation which is required through multistate tax returns, having furniture go through wear and tear prematurely, loss of opportunity for normal investments that one would enter into with a normal stay in one place. Also, increases in insurance premiums for automobiles (twice as much) and home owners insurance ($200 more) should be taken into account.

Further complications of the above problems are compounded by the fact that all monies which are refunded to the transferee by the Bureau for the convenience of the Government is taxable income on a Federal income tax as well as most state income tax returns.

These are some of the items that I consider should be taken into consideration when any legislation is introduced so that some relief can be afforded a transferee, at least bring him to parity."

Respondent 3.

"Set forth below is a chart containing data for the last five positions I have held:

Date	Position & Area	Grade	Take Home Pay	Mortgage Pay-Interest Rate
1/27/77	ASAC/Inspector & FBIHQ	15	$980.93	$446.00 8%
10/20/77	SAC	16	$1207.34 includes COLA	$800.00 Rental
10/19/78	SAC	17	$994.58	$904.0 8½%
10/18/79	SAC	17	$1103.51	$880.00 10 3/4%
10/16/80	AD	18	$1064.50	$1023.00 12%

An analysis of the figures set forth indicates that in spite of the fact that I have been promoted from ASAC/Inspector in 1977, through various positions to AD in 1980, GS 15 to GS 18, my take-home paycheck has increased only from $980.93 to $1,064.50, an increase of $83.57 per check.

Further analysis indicates that my take-home paycheck buying power, considering only my home mortgage payment and excluding all other inflationary factors such as food, gasoline, clothing, etc., has decreased from approximately $466.00 (8% interest rate) to $1,023.00 (12% interest rate) monthly. In other words even though I make $83.57 more per check or $167.14 monthly, my house payment has gone up by $577.00 for a net loss of take-home pay of $409.86 monthly. Needless to say the house I owned in 1977 was a nicer home than the one I now own even though I paid twice as much for my current residence.

Other financial Factors

a. The 30-day limitation for temporary quarters and the allowance for temporary quarters.

Even though an Agent buys a home on his first day in a new assignment, the chances of closing his loan within the 30-day temporary quarters period is highly remote. Ordinarily, it will be several days before he is able to satisfy himself he is making the proper purchase. In my current area, the average time from sales contract to closing is 8-10 weeks. Therefore, 30-days temporary quarters is ludicrous. In my individual situation where only the wife and I were involved, the allowance for my 30-day temporary quarters was $43.75 for the first 10 days; $29.17 for the second 10 days; and $21.87 for the third 10 days. Out of those figures my wife and I were expected to pay a motel bill and eat six meals a day. Again, it is ludicrous to expect these allowances to even cover the hotel bill. It forces an Agent to seek substandard temporary quarters.

Set forth below is a chart indicating losses of disposable income concerning my experience with temporary quarters for my last three moves:

Days Temp. Quarters Necessary	Days Temp. Quarters Allowed by Govt	Actual Cost	Amount Paid By Govt	Amount Paid Out Of Pocket (Me)
April, 1978				
75	60	$4369	$1448.45	$2920.55
May, 1979				
77	30	$2452	$ 947.90	$1504.10
June, 1980				
72	30	$2650	$ 908.31	$1741.69

b. Closing Costs

In addition to problems surrounding temporary quarters, the maximum for closing costs in selling a home is $8,000.00. The closing costs of my move were approximately $8,500.00 for an approximate loss of $500.00.

I have been unable to sell my home to date but the realty fee will be 7% of the approximate selling price or $9,100.00, realizing a loss of at least $1,100 plus other anticipated closing costs for a nonreimbursable loss of $1,500.00.

c. Miscellaneous

1. Although I have not computed what it means to me in exact loss, it goes without saying that the expenses reimbursed by the Government are taxable income when they exceed $3,000.00. This is again money out of pocket for the Agent.

2. Frequently Agents and their families must return to 'close' the sale and transportation expenses must be borne. To date, I have been able to avoid that problem.

3. Frequently Agents must run two households although on these moves I have avoided that problem.

4. Frequently Agents must obtain 'bridge loans' and bear the interest amounts personally. My loss is $1,500 interest on my bridge loan every three months until my house is sold. The house is not sold to date even though I have reduced the price on two occasions and now find it impossible to sell the house without suffering a loss.

5. Two moves have resulted in considerable less take-home pay because of state income and property tax difference and COLA even though each move was a grade raise. For example, in my latest move, the state deducts over $100 per paycheck in excess of that deducted

by previous state. In addition, my real estate taxes are $100 per month higher so I am making $300.00 less take-home even though I was promoted to GS 18 and moved into a higher cost area.

6. The majority of FBI wives must now work to make ends meet for their household and must work not because they want to but because they must. To quote my wife, it has been necessary to gain employment to 'support my Assistant Directorship'."

Respondent 4.

"In 1977, I was transferred to a new location which required a new mortgage at a higher rate (7½% to 9½%) and a larger amount with an increase in payment of about $100 per month. My salary did not increase since I was already a GS 15. I had to borrow an extra $5,000 for the down payment (personal family loan) and am still paying it off. The move also included such purchases as carpets, lighting fixtures, new draperies, etc. in the amount of $3,450 which I had to remove from savings. Other incidental expenses (raise in car insurance, car tags, licenses, orthodontist contract, etc.) in the amount of $1,130 which came out of disposable income. The Government reimbursed only $200.

The entire transfer cost me a loss in disposable income of approximately $150 per pay period, a net loss in savings of almost $4,500 and a debt of $5,000.

The costs reimbursed by the Government were pitifully small compared to the price of the transfer and in no way compensated for the out-of-hand expenses incurred by me. To make matters worse - the reimbursement costs, of which I received only 71 percent because of income tax deduction, pushed me into a higher tax bracket and cut another 8 percent from my reimbursement. This was also a direct out-of-pocket loss of several thousand dollars.

That transfer caused severe economic hardship to my family, and the Government could easily alleviate any future horror stories by making several constructive changes such as I have outlined below:

1. Reimburse all moving, real estate and incidental expenses in connection with an employee's transfer.

2. Pay the difference between the old mortgage payment and the new one.

3. Buy homes that have been on the market for more than two months and where there is a double mortgage payment involved.

    a. Transfer an employee in temporary duty status for at least six months so that he/she will not suffer economic hardship.

4. Treat all expenses that are reimbursed in connection with a transfer as necessary expenses for the U. S. Government and eliminate any tax levies, either state or Federal; and do not treat the reimbursement as income.

5. Increase temporary quarters to a period of time not to exceed 6 months where there is a sufficient reason. (School consideration, family illness, or other humanistic reason.)

6. Since each move results in higher costs in real income (after tax dollars and the incursion of larger debts), increase the pay cap to $70 to $90,000.

7. Do not move an executive in a GS 16 and above category unless there is an increase (real dollars) in salary.

8. Provide for at least three round trips for executives to their homes where they are separated from their spouse and family. Set a six to eight month time limit on the use of these trips.

In 1980, I was transfered back to FBIHQ and received a promotion from a GS 15 to GS 16. I received no increase in salary and my take-home pay decreased by $100 per month. Since I had a child who is a senior in high school the family remained behind and I had to obtain separate lodging in the D. C. area. The current cost is approximately $450 per month exclusive of several pieces of furniture that I purchased for $435 to last me the year. I also had to purchase a secondhand car for $1500, since ground transportation was approximately $4.00 per day and almost nonexistent on Saturdays and Sundays. Also, in most areas of the country free parking or access to on-street, no-fee parking is the rule; however, at FBIHQ the added cost is $32.50 per month.

This is only one case of an SA going from a medium-priced area to a high-cost area; but, after many talks with other SAs I don't think I am the exception.

To put all of this in perspective and in trying to be constructive I can only conclude that:

1. The pay cap must be moved to at least $70,000 per year to keep pace with the costs of executive development.

2. Benefits on all transfers must be increased greatly and not be subject to taxation.

3. No promotions be made unless it means a real-dollar take-home increase for the career executive.

Respondent 5.

"The following sets forth the loss in disposable income that I have realized in connection with three transfers over the last seven years and also a comparison of the increased cost due to interest rates and inflation:

Transfer	Date	"Take-Home Pay" Two biweekly Periods	House Cost	Interest Rate	Mortgage Payment
At FO	---	$ 1200	$26,000	7½%	$ 243
To FBIHQ	6/73	1200	61,000	7-7/8%	400
To ASAC	9/77	1880	76,000	8-3/4%	750
To SAC	7/80	2480	144,000	11½%	1300

Based upon the above, the following conclusions can be drawn regarding increase in costs from 1973 to 1980, as follows:

Interest rate increased from 7½% to 11½%, which equals a 53% increase in interest rates.

Housing cost in 1973 was $61,000, compared to $144,000 in 1980, or an increase of 225%.

Salary increase for the same period of time, i.e., $1,200 in 1973 vs. $2,480 in 1980, equals a 106% increase.

Further, in 1973, the mortgage cost represented 33% of my 'take-home' pay for a 4-week period. In 1980, my mortgage cost represents 52% of my 'take-home' pay for a 4-week period. This is an increase of 59% or a loss of 19% of my disposable income due to inflation in the housing market and increased interest rates. It should be further noted that there has been only a slight increase in my standard of living as it relates to home purchases, as all of the homes (four) which I have owned are comparable.

In addition to the above losses in useable income due to inflation and increased mortgage rates, additional expenses have been borne which have not been reimbursed by the Government.

On my move from FO to FBIHQ, I incurred approximately $3,000 in out-of-pocket expenses which were not reimbursable by the Government: in the move from FBIHQ in 1977, $4,000; and in the move July, 1980, approximately $6,000. In addition, those expenses which were reimbursed are subject to an additional tax burden. In the move to FBIHQ in 1973, taxable expenses amounted to approximately $3,000, or an additional tax burden of $600. In the move in 1977, it was $3,900, or a tax burden of approximately $780.00, and in the move in July, 1980, it was $7,000, or a tax burden of $1,400.

In addition to these factors, there has also been the burden of establishing a residency to allow my college-aged children to attend in-state universities, and the cost of their education has doubled. I currently have one child in college whose expenses, due to out-of-state tuitions, will cost me approximately $5,000 over and above what would be normally charged for an in-state student. A second child will enter college in 1981, but due to the uncertainty of my continued assignment to any specific office her attendance at an in-state university is also uncertain. Therefore, the cost of college educations will approximately double the current cost, and in 1982, I will have a third child facing the same dilemma."

Respondent 6.

It is apparent that there is a loss of disposable income occasioned by the mere fact that despite double digit inflation supergrades are required to absorb that and get no raise. The theory seems to be that erosion of your purchasing power is OK because you make so much and probably have too many 'luxuries' anyway. Level of responsibility and nature of work are totally ignored. The result is that a GS 13 in Step 10 with AUO earns only $3335.75/year less than Executive Assistant Directors and Assistant Directors. Staying in his OP over a number of years would more than offset the difference. The disparity is ludicrous."

Respondent 7.

"In February, 1975, when I was 'promoted' laterally to SAC, I experienced an actual loss of some $7,000 per year. My mortgage payments, $230 per month to $540 per month, more than doubled - I was introduced to Virginia State Tax, also personal property taxes, county taxes, etc., and a much higher cost of living area.

It's an interesting phenomenon, although quite disturbing, that we award our top managers with additional responsibilities and at the same time penalize them by effecting a net decrease in their take-home pay."

Respondent 8.

"1980 Transfer

Previous Mortgage Rate/Payment (P&I)
9% $315

New Mortgage Rate/Payment (P&I)
11-3/4% $848

Take-home pay less because of increase in new state taxes - a reduction of $90 each paycheck. Cost of college education for two children increased (because of one-year nonresidence status) from $2,000 to $6,000. Cost of one child in private school increased from $850 to $1,750.

Total loss on move for one year -

$50,000. It will take a hefty raise and three to five years without another move to break even."

Respondent 9.

"I experienced three moves in 26 months and was 'promoted' from a state without income tax to Washington, D. C. The difference in take-home pay between my promotion and the addition of state taxes amounted to approximately $100 per pay day. At the same time my mortgage payment increased from $740 to $940 resulting in $400 a month less spending money. In addition this transfer cost me $2,000 in real estate fees above the reimbursable amount; approximately 30 days in a motel, 15 of which reimbursement was not enough to cover expenses and 15 of which reimbursement was received. This cost me somewhere between $1,500 and $2,000. The automobile that I was required to drive in my field assignment was relinquished. On moving to Washington, D. C., without my family I stayed in Washington for two months at my own expense and purchased a vehicle for $400 for temporary transportation and until I could find a reasonable mode of transportation. My second car was purchased for $3,000. At the end of the year, for the third year in a row, I paid taxes on all money reimbursed me for my transfer at the convenience of the Government. These funds range from taxes on $3,000 to $7,000 'additional income.' The costs of getting the students settled in school, climatized for clothing; furbishing my house, wallpaper, paint, shrubs and grass to make a home are too numerous to tally. You must multiply them three times in 26 months to find out exactly what these transfers cost me financially and my family in stress from the social adjustments."

Respondent 10.

"Year	Old Mortgage Rate	New Mortgage Rate	Old Payment	New Payment
1973 to FBIHQ	6½%	8½%	$240	$525
1978 fm FBIHQ	8½%	9½%	$525	$675
1980 to FBIHQ	9½%n	11½%	$675	$1250

Each transfer has resulted in a financial loss of at least $3,000 to $5,000 in direct expenses. With college-aged children the impact is worse since all states require at least one-year residency to qualify for in-state tuitions. This element alone cost a difference of approximately $3,000 this year and last year. If my son transfers with me the higher cost continues to reach a total of almost $10,000 for four-college years."

Respondent 11.

"In two years I sold two houses, bought two and was progressively placed in a higher cost-of-living area, all houses purchased were comparable, except for price tag, and the gains on all sales had to be reinvested in the new houses to buy the mortgage payments as low as possible.

January, 1979, GS 15 take-home was $1,154.08. Mortgage rate was 9½%. Monthly mortgage payment was $425.00.

GS 16 take-home pay was $1,146.51. Mortgage rate was 10½% with monthly payments of $564.32.

October, 1979, promoted GS 17 effective 1/29/80. Take-home pay $1,233.35. Mortgage rate is 12%, payment $1,151.46. Property tax increase of 350%.

Another hardship is the increased tax burden of claiming moving expenses as income. Doing this places the employee in a higher income tax bracket; thus, making him pay a higher percent of taxes on his total net income for the year. All moves are made to benefit the agency not the employee but the employee gets the financial loss."

Respondent 12.

"Year	House Payment	Interest Rate	Grade Take Home
1975	$220	6-3/4%	$700 biweekly
1976-77	$435	8%	$690 biweekly
1977-80	$540	8-3/4%	$846-$1000 biweekly
1980	$1200	12-1/2%	$1200 biweekly

1980 move to Washington, D. C., resulted in following losses:

a. $1,500 in VA points nonreimbursable
b. Sellers closing costs exceeded $8,000 limit by approximately $1,000 (Realtors Commission was $7,990)
c. Temporary housing in excess of 30 days totaled $3,000 in rent while builder finished house.
d. Two months extra storage for household goods and extra insurance = $320."

Respondent 13.

"A. Increased taxes in jurisdictions into which I have moved (as compared with some states that have no state income tax, for example, Texas, Florida, Tennessee, etc.)

B. Increases in house mortgage interest rates - 5¼% (1972); 7¼% (1977); 8¼% (1979); 10-1/8% (present).

C. High cost of living areas(New York, Los Angeles) cause obvious inequities in the administrative advancement relocation procedures.

D. Increase in real estate commissions has caused greater financial hardship because the Bureau does not reimburse for the full amounts at the present. As a result thereof and in a related matter, there is a substantial increase in the individual Federal tax burden as a result of present reimbursements. For example, in my last two transfers, I have had approximately $7,500 to $9,000 over and above that allowed by IRS which resulted in an increased tax liability of approximately $3,000 to $3,500.

My last few transfers have resulted in grade raises which superficially have camouflaged actual financial loss as a result of these promotions. I have personally not 'felt' a financial loss as a result of these transfers; however, it has only been because I have been maintained at the 'status quo' as a result of these promotions. The bottom line of this is that although I have been transfered several times and received other promotions, there has been no observable increase in my standard of living and 'take-home' pay. If anything, there has been a decrease in the overall standard of living and savings as a result of these administrative advancement transfers when compared with those Agents not in the program who remain in place as street Agents.

One of the most decimating aspects of relocating (or any relocation) centers around the sale of one's personal residence. In the past few years, the market has been extremely 'volatile' and unpredictable in the various areas of our country. I personally have been fortunate to this point in selling my residences; however, I consider myself to be an exception and am aware of numerous horror stories of my fellow Agents and Bureau executives who have had extremely difficult times selling their homes. When this situation is compared to private industry which, in various ways, assists in the sale of residences for their executives, it is an extremely horrendous burden to place on our Bureau executives. I personally have been on the purchase end of two residences I bought from individuals whose corporations would have taken over their residences and paid them their equity if they had not been able to sell their house within 30 days of the time it was placed on the market. Obviously, this places the corporate seller in an extremely advantageous position and the purchaser in a much less desirable one. Presently, Government personnel are in no way able to compete in this type of real estate market. This results, many times, in an extremely lengthy time necessary in order to sell a residence and of times an individual having to accept less than he should have to for the residence."

Respondent 14.

> "Every single transfer can automatically be expected to result in an increase in mortgage rates. My most recent transfer resulted in an approximately four percent increase in mortgage rates. This mortgage rate increase, of course, resulted in significant less take-home pay, as well as a substantially decreased family standard of living. Due to the continual pay ceiling on executive salaries, any transfer of an executive, without even considering mortgage rates, will result in a decreased family style of living. (If this were true in private industry, what you would in fact have, would be total stagnation in the executive ranks as well as economic disaster in the private business sector.)
>
> My most recent transfer, for example, in addition to the economic deficiencies required that I obtain a bridge loan in order to be able to purchase a home in the new locality prior to mortgage rates becoming astronomical and potentially unobtainable. The bridge loan, therefore, resulted in two mortgage payments over a seven-month period, which in turn, resulted in a severly reduced family standard of living at a time when college tuition payments are out of sight. A continued freeze of supergrade pay will without question, result in both short term and long term reductions in mission goals of the FBI. The decrease in incentives for individuals seeking supergrade levels has now reached the point, because of hardships connected with frequent transfers and continued freeze on salary levels, that there are absolutely no incentives whatsoever in obtaining these positions. It has also resulted in a universal opinion among Agent personnel of the FBI that anyone seeking to advance under these conditions simply could not do so if the hardships connected with advancement were logically considered."

Respondent 15.

> "Had resided in Washington, D. C. suburb for twelve years prior to 1979 transfer/relocation. Mortgage rate prior to transfer - 6½% - $255.00 per month compared to 11½% - $972.00 per month currently. Received paper salary increase only, in promotion resulting from transfer so take-home pay is the same as prior to relocation. Mortgage rate/payment almost four times previous payment but no salary increase.

Personally absorbed loss of $8,000 on closing costs because Government reimburses minimal costs."

Respondent 16.

"During my last transfer, the real estate broker's fee for selling my home was $2,000 more than the Government reimbursed, a loss which I had to absorb out of pocket and, later on, paid taxes on the portion that was reimbursed. No promotion or increase in salary accompanied this transfer.

If I were to be transferred today (at no salary increase), the real estate broker's fee would be approximately $12,000 of which only $8,500 would be reimbursed, leaving me with a $3,500 immediate loss in that one area alone.

Further, the movers' expense for my last move was over $500 more than I was reimbursed. The 11,000-pound maximum is ridiculously low and should be increased."

Respondent 17.

"Transfer from FBIHQ 1975. Got 8-3/4% mortgage with payment of $409.10 per month on $52,000 loan. Take-home pay at that time $928.96. During assignment withholding for state income tax varied but always under $70 per pay period.

Transfer to FBIHQ 1978. Got 9% mortgage loan with mortgage payment of $683.30 on loan of $70,000. Take home pay at $1148.79 and Virginia State withholding at $88.53. Interesting to note that first house sold for $90,000 and house purchased in Virginia cost $102,000 and was far less house for the money.

Transfer from FBIHQ 1980. Got 12-3/4% loan after narrowly missing a mandatory 18% loan. Mortgage amount $85,000 and monthly payment $1,060. Take-home pay $1123.87 and state tax withheld $124.96 per pay period. Personal property tax also to be levied but not yet determined. Should be noted that to purchase a residence equivalent to that in Virginia purchase price was $135,000.

Family has determined that standard of living in new FO equal to and in some areas (i.e. groceries, clothing) higher than that of Washington Metropolitan area.

As result of transfer 1975, additional income tax burden of $2555.20 considered due to reimbursement for moving expenses causing loss in real income due to the fact that income was, in fact, taxed twice. Unable to determine exact loss resulting therefrom. Same situation occurred in 1978, when as result of transfer additional $5528.95 added to income and subject to income tax. As result of transfer during 1980, same result will occur with amount as yet unknown. Other financial aspects to be considered include $85 paid during moves in 1978, and 1980, as result of insurance for movement of household goods and not reimbursed. As result of transfer in 1975, two daughters of kindergarten age were unable to attend public kindergarten due to an absence of such. As result costs incurred of $30 for each of two daughters per month. In addition, prior to moves in 1975, 1978, and 1980, it was necessary to sell at a loss or give away a number of items that would otherwise have been of continuing value to the family, i.e., picnic table (sold for $25), Ping-Pong table (valued at nearly $100 and sold at $50), two automobiles good for commuting, one sold in 1975, and the other during February, 1980, as result of transfer and inability to transport long distances.

During relocations and waiting period for sale of residences it has been necessary during the last three moves to pay, in addition to mortgage payment at principal residence, rent for a second residence (apartment at new duty station). During 1980 move, apartment was rented at cost of $290 per month plus utilities and extra expenses, including food, laundry, etc. Unfortunately, the length of wait (4 months) for sale of house and relocation of family necessitated expenses far in excess of the allowed per diem expenses for 30 days of temporary quarters. For just the initial 30 days, the first 10 days' expenses amounting to $322.54 were incurred with reimbursement of only $262.50; second 10 days' actual expenses $313.01 with reimbursement $175; and third 10 days' actual expenses $320.74 with actual reimbursement $131.20. Of course, the actual reimbursement was less 20% withheld for Federal income tax.

In addition, the cost of travel between new duty station and old to visit family is considerable whether by car or commercial transportation and telephone calls add additional expense to the moves which are again not reimbursed. Prior to each move, in addition to those items which are available for giveaway or sale at reduced price, there are significant amounts of materials which cannot be transported nor sold. These include various paints and other flammables, curtains, drapes and in some cases flowers and plants. These all represent loss to employee not reimbursed. In addition, my wife, who is a qualified German instructor with the Adult Education Program of the Fairfax County Public Schools, upon transfer no longer had an opportunity to serve in that capacity and as a result, minimal but actual real income is lost to her and ultimately to my family."

Respondent 18.

"As a GS 15, ASAC, in early 1979, my take-home pay was $2,326.48 or $1,163.24 per payday. Today, as a GS 17, my take-home pay is $1,189.77 per pay period, an increase in two years of $8.26 a week. As a result of my promotion to SAC, followed by my promotion, I have had to sell two homes, pay points to banks in refinancing different residences, and my interest rate has gone from 8-3/4% with a house payment of less than $500.00 a month to 12-1/4%, with a house payment of over $1,000 a month. Try that with an increase of $8.26 a week.

The sale of my residence netted the realtor a fee of $4,693.00, which was added to my tax placing me in a higher bracket. Because of this factor, I was forced to sell my house myself. The real estate fee if I used a realtor would have been over $8,000.00 alone. As a result, it took me ten months to sell the house, and the concomitant separation from my family."

Respondent 19.

"A scenario of the situation concerning my last transfer will highlight how the ceiling cap adversely affects a standard of living. To begin with, the salary stayed the same because of the cap. The take-home pay was drastically reduced because of a doubling of the state income tax for the new area. In addition, a new mortgage had to be obtained and because of economic conditions, this increased my monthly mortgage payment per month by $121.00. All of this at a time when goods and services were increasing at an annual rate of over 13%. To add insult to injury, various expenses were reimbursed as a result of the transfer ($10,100), which will be taxed as ordinary income. This will have the effect of forcing me into an artifically high tax bracket, all because of an official transfer and at no increase in pay, in fact a decrease in pay. Even with all these reimbursements, there was approximately $1,310 not reimbursed because of ceilings placed on same. These items taxed, in effect, are reductions of equity from real estate. To summarize, with no pay raise for the last three years, I have taken several steps backward financially while going forward within the FBI."

Respondent 20.

	"Year	Mtg Pymt	GS Level
Prior to	1973	$300	15
Transfer	1973	$500	15
*Transfer	1974	$300	15
Transfer	1976	$500	17
Transfer	1977	$650	17
Transfer	1979	$950	17

*The reason the mortgage payment reduced from $500 to $300 was because I was fortunate enough to move back into my old house. That is not normally the situation.

Also, it should be noted that the house I am presently buying is not substantially larger than the one I left in 1973 and, as a matter of fact it is substantially smaller than the one I moved from in 1974.

Interest rate in 1973 was 7¼% - current rate is 9-3/4%."

Respondent 21.

"A most vivid example of a financial hardship, although an unusual one, exists in my case. I was separated and divorced in 1978 with the financial settlement calling for a set amount of support ($1300) to be paid by me every month. In addition this amount is subject to COL adjustments every six months. The total increases to date amount to about 25% which is the additional amount necessary to support in a modest manner my ex-wife and children.

Without the prospects of a salary increase (including the denial of COL adjustments) my standard of living will continue to decrease dramatically."

Respondent 22.

"1971 - To Washington, D. C. House payment for comparable home increased from $117.00 per month to $370.00 per month, plus increased state income tax to $80.00 per month, real estate tax from $180.00 per year to $900.00 per year, plus personal property tax to $200.00 per year. Fixed expenses increased $5,245.00 per year. Had to pay $3,000.00 taxes on moving expenses reimbursement received from Bureau. Separated from family five months. Separate maintenance cost $3,600.00. Increased mortgage rate from 5½% to 7%.

1975 - Transfer from Washington, D. C. No pay raise involved. Had to sell down on house and had to pay tax of $19,000.00 on capital gain (55-year advantage then not law on U. S. Tax Code). Had to pay state income tax on moving expense reimbursement in both Virginia and Alabama, as well as U. S. tax. Total taxes amounted to $4,800.00. Without family for six months. Paid about $4,000 temporary quarters not reimbursed by Bureau. Paid double mortgage payments for four months amounting to loss of $1,600.00. Move increased mortgage interest rate from 7% to 9½%.

1976 - Transfer to Washington, D. C. Mortgage rate increased from 9½% to 10¼%. Comparable housing, house payment increased from $400.00 per month to $659.00 per month. Property tax increased $1,300.00. Federal tax on reimbursement for transfer allowance $3,600.00. Had to buy second car for transportation to work. Loss on temporary quarters $1,200.00.

1978 - Transfer from Washington, D. C. Increase of $159.00 per month in state income tax. Paid $4,000 in tax on transfer funds. Increased real property tax by $1,500.00 per year.

1979 - Transfer Mortgage rate increased from 10½% to 11%. Temporary quarters cost $2,400 in excess of allowance. Five months double house payments cost, $3,500.00."

Respondent 23.

> "In 1976, I had a mortgage at 7-3/8% and a monthly payment of approximately $375.00.
>
> I was transferred February, 1977, with no increase in salary. My mortgage rate increased to 9-3/4% with a monthly payment of approximately $475.00, with all capital gain on sale of residence reinvested in new residence.
>
> In July of 1978, I was transferred and promoted with a salary increase. My mortgage rate increased to 10% and the monthly payment to $550.00. All capital gains reinvested in new residence.
>
> In September, 1980, I was promoted with no salary increase, transferred and invested in mortgage rate at 10-7/8% with a monthly payment of $1350.00 (due to increased housing costs).
>
> Each transfer cost me money to move household goods. The most recent transfer cost approximately $1000.00 above that allowed for household goods alone. The allowance for real estate transactions was approximately $1000.00 less than costs and, since taxable, makes my tax bracket higher (exact costs yet to be determined).
>
> In 1976, my salary was $35,480 gross with housing payments of $4500, leaving $30,980, gross disposable.
>
> In 1980, after three moves and two promotions, my salary is $50,112 gross. Annual housing costs are now $16,200, leaving me $33,912 gross disposable. Had I remained in position in 1976, with no promotion or transfers, my salary would be $49,797 gross disposable. In four years, after three transfers and two promotions, my disposable income is $11,000 less per year than had I remained in place for four years without transfer or promotion."

Respondent 24.

	"Mortgage Payment
1st Home (1966-68)	$225 month
2nd Home (1968-75)	$350 month
3rd Home (1975-77)	$670 month

4th Home (1977-79)	$990 month
5th Home (1979-80)	$1,600 month

Each move has resulted in higher cost for housing resulting in a larger mortgage at a higher interest rate. This increase has outstripped many times over the increase gained by promotion. Each move has resulted in enormous out-of-pocket expenses which were unreimbursable (example: overweight household goods, house-hunting trips, separate quarters etc.) and which were offset by equity augmentation. However, the cash-flow squeeze was not offset by the equity increase."

Respondent 25.

"Every one of my eight transfers has resulted in a higher interest rate for me on my home mortgage.

My last transfer resulted in me personally paying about $5,000 of the realtors fees which the Government couldn't pay. And I had to pay about $500 for excess weight on my household move.

I have almost always had to pay tax on certain moves that reimbursed my expenses incurred on a move.

One is never completely reimbursed for all the incidentals involved in a move. My wife and I and family always have to pack and unpack ourselves (household) to avoid excessive losses.

There is never sufficient reimbursement for all the inconveniences associated with a move. (Address changes, school changes, wife's loss of job/etc., etc.)"

Respondent 26.

"My present salary is $50,112.50 per annum as an SAC. If I had remained a street Agent and not pursued administrative advancement, my present base salary would be GS 13, Step 7, or $38,456 plus AUO of $5,116.75, or a total of $43,572.75. Thus, I receive only $6,539.75 in additional salary per annum.

Set forth below is a comparison chart since 1969, when I was transferred to FBI Headquarters as a Bureau supervisor, until the present:

Year	Assignment Location	Mortgage	Interest Rate	Monthly Payment
1969	FO	$20,000	6%	$165.00
1969	FBIHQ	$35,000	6-3/4%-8%	$335.00
1976	FO	$44,000	8%	$440.00
1978	FO	$85,000	9-3/4%	$885.00
1980	FO	$60,000	7%(Assumption)	$575.00
			11% (Second trust)	

I paid capital gain taxes for calendar year 1976, because of sale of residence and lower purchase price of new home. I will also pay capital gain taxes for calendar year 1980, because of sale of residence and lower purchase price of new home.

It is also noted that every time a transfer is accomplished, the individual is liable for higher income tax due to those monies received for transfer allowances.

My move this year resulted in real estate commission on sale of former residence to be $1,450.00 over allowable amount. It should be noted that while my monthly house payment has declined by $300.00, this is offset by the fact that the state income tax withholding amounts to $200 per month. In order to assume a very favorable 7% loan, it was necessary for me to pay $50,000 down and then obligate myself to a second trust at 11% per annum."

Respondent 27.

"Transfer from FBIHQ, March, 1977:

Transfer was from Unit Chief, GS 15, FBIHQ, to ASAC, GS 15. No change in pay. Disposable income affected as follows:

House payment - $468 to $1,092, reflecting mortgage rate increase from 7% to 9% and increased property taxes;

State income tax - increase of approximately 20%;

Utility costs - approximately $100 per month vs. $265 a month.

Other increases in almost every area but exact amounts unrecalled.

Out-of-pocket transfer costs: Unreimbursed real estate fee - $2,700. Unreimbursed household goods - $800.

Transfer, July, 1980:

This transfer involved a grade increase from GS 15 to GS 16, amounting to approximately $3,000. Disposable income was affected as follows:

Mortgage rate increased from 9% to 10-3/4%, but house payment decreased by approximately $200 due to decrease in real estate taxes;

State income tax decreased slightly;

Utility costs also decreased slightly;

Out-of-pocket transfer costs included $3,500 unreimbursed real estate fee; $2,800 unreimbursed household goods; attorneys' costs $850 unreimbursed; unreimbursed interest on a swing loan $920; unreimbursed assumption fee mortgage $100; unreimbursed trip to sign closing papers and various telephone calls for negotiation, approximately $600; temporary housing costs unreimbursed $800; unreimbursed subsistence at new duty station $980 - total unreimbursed costs - $10,550."

Respondent 28.

"The exact figures and amounts necessary to specifically reply to this questionnaire are not available inasmuch as those documents are located in my old duty station.

In 1976, prior to transfer from FBIHQ, where I was assigned as a Grade GS 15, to ASAC, also in a GS 15 position, my mortgage payment was $466 a month. The cost of purchase of the home resided in while assigned at FBIHQ in 1972, was slightly over $44,000. The home was sold in November, 1976, at a cost of approximately

$68,000. In January, 1977, I purchased a home associated with the above-mentioned transfer for $85,000. My mortgage rate increased from $466 a month to $652 a month, an increase of $186 a month, with no increase in salary. Also, the home purchased for $85,000 was no better than the one purchased in Virginia for $44,000 in 1972. Subsequent to my assignment as ASAC, I was administratively reassigned to the Inspection Staff, which transfer resulted in no change in residence. This promotion was affected with no change in grade or salary. After a 10-month assignment to the Inspection Staff, I was promoted to SAC. I sold my home for approximately $125,000 in March, 1979. In May, 1979, I purchased a home of lesser size and quality for $130,000. At that time my mortgage payment increased from $652 a month to $777, $125 a month more. I was in Grade GS 15, as previously mentioned, and upon reassignment and promotion I was in Grade GS 16. It should be noted that with the difference in state income taxes and having 'greater income' to tax, my take home salary decreased approximately $127 per pay period, or $252 a month.

Associated with the promotion and transfer was a long period of separation from my family. I reported in March, 1979, and my family did not join me until the first week in July, 1979. Additionally, costs attendant to operations of two households were necessary, causing financial strain on me and resulted in withdrawing several thousand dollars from my savings account.

Additionally, I approximate that the total transfer of my household goods, sale of residence, purchase of new residence, costs of temporary quarters for myself when living alone, and for my family after they joined me cost me personally in excess of $6,500.

In April, 1980, I was promoted and transferred again. My salary changed from a Grade GS 16 to a Grade GS 17; however, actually resulted in minimal increase in take-home pay due primarily to the difference between state income taxes. However, there was no appreciable increase in take-home pay."

Respondent 29.

"Year	Place	Percent Int.	Mtg Payment	Take Home Pay
1972	WDC	8%	$ 360.00	$1800 -
1977	FO	8½%	450.00	2500 -
1979	WDC	11%	1150.00	2600- "

Respondent 30.

"In February, 1975, when I was 'promoted' to SAC (larger office from SAC smaller office), I experienced an actual loss of some $7000 per year. My mortgage payments more than doubled ($230 vs. $540) - I was introduced to a state income tax and higher cost of living area."

Respondent 31.

"Year	Mtg Int Rate	Mtg Payment
1976	6%	$270 month
1978	9½%	570 month
1980	11¼%	900 month

During this period my take-home pay has increased approximately $400 per month. At the time of my last move, I was promoted from GS 15 to GS 16. Because of the difference in state tax structures, however, the net effect of the grade raise was a decrease of $40 per pay period in take-home pay. In order to sell my residence during this last transfer, I had to pay over $18,000 in 'points' to the lender."

Respondent 32.

"Transfer ASAC - 1979

From FBIHQ GS 15 Old mtg 8-3/4% new 10½%. Payment $450 to $1000 month

No pay increase

Transfer Section Chief - 1980

To FBIHQ GS 16 Old mtg 10½% new 13%. Payment $1000 to $1500 month

No pay increase

Real estate fee $10,500
loss $2,500
Overweight $2000
3 months extra TQ $550 month"

Respondent 33.

"Year	House Payment
Transfer 1977	Old $370
Transfer 1977	New $625
Transfer 1979	$950

Take-home pay remained same.

1977 Transfer cost $4,900 out-of-pocket

1979 Transfer cost $5,200 out-of-pocket

Above loss is result of 'points,' 'tax liability' 'moving expenses,' and expenses due to maintaining two households during 1977 transfer."

Respondent 34.

"Year	House Payment
1976 Unit Chief	$465
1976 ASAC	$625
1979 Section Chief	$840

Realtor fee $9,600 (8,000 max)"

Respondent 35.

"During the past three years I went from paying an 8½% mortgage to a current 13½% one, all the time receiving approximately the same salary."

Respondent 36.

"Lateral transfer 1978, 6% mortgage to 10% mortgage $550 per month to just over $1,000 per month."

Respondent 37.

"In 1977, while a GS 15 in FBIHQ, my mortgage payment was less than $400.

When transferred to the field as a GS 15, my salary remained unchanged and my mortgage payment rose to almost $800.

When transferred back to Washington, I became a GS 16 with a new mortgage payment of $1,200 monthly and since I was unable to sell my prior residence was responsible for that $800 monthly payment for over eight months in addition to new mortgage.

In each of these moves, I personally paid over $100 because of overweight and also paid $1,000 in temporary quarters extra."

Respondent 38.

"1977 Transfer	7% Mtg	From GS 15 position to GS 15 position
	to 9% Mtg	Income Tax Burden $3,000
1979 Transfer	9% Mtg	From GS 15 position to GS 15 position
	to 11-3/4% Mtg	Income Tax Burden $1,000

Unable to sell house - carrying two mortgages - negative cash flow on rental $1,500 per house plus loss of reimbursement for real estate commission after two years $8,000.

1977 Mtg prior to move from WDC $4,800 per year

1980 Mtg prior to WDC our house (smaller than '77 house) $10,800 $6,000 less to spend."

Respondent 39.

"Transfer 1977 - Bought house $74,000
3600 Sq. Ft.
9% Mtg - Payment $476 month

Transfer 1980 - Bought house $124,000
1700 Sq. Ft.
13½% Mtg - Payment $1,240 month

Salary increase $30 per check."

Respondent 40.

"In the last seven years my mortgage rates have climbed from $236 a month to $1500 a month."

Respondent 41.

"Transfer 1975 GS 14
to FBIHQ Old Mtg $220 New $525
Transfer 1978 GS 15
fm FBIHQ Old Mtg $525 New $777
Transfer 1978 GS 16
to FBIHQ Old Mtg $777 New $1,044

The advance to GS 16 made no financial difference and in truth, I would be financially better off as a GS 14 supervisor back in the FO, especially when counting hidden costs of transfer."

Respondent 42.

"Year	Position	Mtg Payment	Rate
1/72	GS 14 FO	$ 190	5½%
8/72	GS 14 HQ	430	7-3/4%
7/76	ASAC 15	580	8-3/4%
6/79	SAC 16	1250	13%
10/80	SAC 17	?"	

Respondent 43.

"Year	Position	Mtg Payment
1967-77	HQ	$ 400
1978	FO	800
1979	ASAC	1150"

Respondent 44.

"Income	Year	Int Rate	Payment
$1177.73	1979	9½%	$650
$1285.22	1979	11½%	800

Loss due to move $15,500.00."

Respondent 45.

"Year	Mtg
1974 to HQ	Old $350 New $700
1980 fm HQ	Old $700 New $1,063"

Respondent 46.

"Year	
1975 fm HQ	Rent $550 per month

1977 FO to FO Mtg $445 per month

1979 FO to FO Mtg $1,103 per month"

Respondent 47.

"Year	Mtg
1/6/78	Old $475 New $705
2/26/79	Old $705 New $1,415

My take-home pay is about the same $2000 per month.

Between interest paid, living expenses while away from my family, real estate commissions, my 'expenses' for the transfer are approximately $25,000."

Respondent 48.

"Move	Take Home Pay	Mtg Rate	Payment
6/79	Old $1,244.60	7¼%	$458
	New 1,273.51	10¼%	864"

Respondent 49.

"SACs in larger field offices are given larger responsibility (without larger compensation) and can only assume these responsibilities by paying their 'dues' by handling lesser assignments first. In the last eight years, I have been transferred six times. I was financially better off six years ago than today."

Respondent 50.

"Year	Mtg
1975	Old $350 New $650
1979	Old $650 New $1,240"

Respondent 51.

"Year	Mtg
1977	$550
1980	$1,046"

Respondent 52.

"My real purchasing power (salary left after taxes, mortgage payments, etc.) has declined consistently since my transfer in 1975, as an ASAC. Each transfer after 1975, (3) has involved an increase in mortgage interest rates, 7%, 7-3/4%, to 8-3/4% to approximately 14%."

SURVEY QUESTION 13

"The high level of geographic relocation has a number of adverse effects. Indicate what conditions could be improved to help a supergrade financially."

SURVEY QUESTION 14

"If a comprehensive relocation plan is considered, what items should be included?"

The vast majority of respondents answered survey questions 13 and 14 in a similar manner. Since those surveyed treated these matters as being reflective of the same overall problems, the responses set forth below encompass both questions.

The major theme that runs through all the responses is the need for more direct financial assistance from the government upon transfer to a new location. As one individual commented:

> "Whether an employee is a support services employee or a top level executive, the FBI transfers him/her because of the need for that individual's talents in a different geographical location. It is incumbent upon the Government to insure that the transfer, which is for the benefit of the Government, causes the least disruption to the employee and his/her family and that there is no financial disincentive to the transfer. Family separation and financial loss due to a transfer are considered the primary disincentives.

To offset these disincentives there was a recurrent call for the following items:

1. The Government should assist in the sale of a home once a suitable period of time has elapsed (90 days being quoted most frequently).

2. The Government should pay all costs associated with a transfer. This would include all closing costs for both sale of old residence and purchase of new one.

3. The Government should raise the present weight limit of 11,000 pounds on household goods.

4. The Government should provide temporary quarters at a constant rate in keeping with current prices for meals and accommodations, and the length of time allowable for temporary quarters should be extended to at least 60 days.

5. The Government should drastically increase the allowance for miscellaneous expenses. The present $200 is minuscule in comparison with current costs. Most respondents felt this amount should be increased to at least $1,000.

6. The Government reimbursement should be free from taxation. Failing this, the maximum allowable amounts not subject to taxation should be increased.

The following items represent a specific comprehensive plan as set forth by one of the respondents:

> "1. Within a certain time period (approximately one week) after the date of a transfer letter, the employee should have two realtors conduct a market analysis to determine the sales value of the employee's residence. The employee should be allowed 105 days to sell the residence after which the Government or a contracted third party would offer to purchase the residence at the average of the previously established fair market values. A 105-day period allows for fifteen days to get the residence in saleable order plus the traditional 90 day contract required by real estate firms for listing residence.
>
> 2. FBI policy requires the employee to report at the new duty station 30 days after the date of the transfer letter. From the date of arrival at the new duty station until the end of the 105-day period (as set out in number 1) the employee should receive regular per diem plus transportation costs to enable return to the family domicile for visitation every other weekend.
>
> 3. Travel to the new duty station should be at regular travel and per diem rates.
>
> 4. If the employee does not elect to allow the Government or contracted third party to purchase his/her residence at the end of the 105 days, living costs beyond this day should be borne by the employee until the residence is sold by the employee or he/she elects to allow the Government or contracted third party to purchase the residence.

5. Upon sale of the residence, costs of transporting the employee and his family to the new duty station should be at standard travel and per diem rates.

6. A house-hunting trip of 7 calendar days should be allowed at standard per diem rates for husband and wife plus baby-sitting costs for dependents left behind.

7. Upon relocation to new duty station, the employee and dependents should be allowed 90 days standard per diem rates for temporary quarters to effect location and purchase of a new residence.

8. Customary and reasonable real estate selling costs for the area should be paid by the Government.

9. Customary and reasonable real estate purchasing costs for the area should be paid by the Government.

10. The employee should be given the equivalent of one pay period salary for miscellaneous expenses.

11. The cost of transportation of household goods should be borne by the Government without regard to any limitations. The actual cost should be paid by the Government.

12. The Government should pay increased mortgage interest rates caused by relocating to a new area.

NO TRAVEL, PER DIEM, TRANSPORTATION OF GOODS, REAL ESTATE BUYING OR SELLING EXPENSES OR TEMPORARY QUARTERS EXPENSE REIMBURSED BY THE GOVERNMENT SHOULD BE TAXABLE. IF ANY OF THESE EXPENSES REMAIN TAXABLE, THE GOVERNMENT, LIKE BUSINESS, SHOULD OVERCOMPENSATE TO COVER THE TAXES WHICH MUST BE PAID."

Aside from those areas relating directly to transfer and relocation, the respondents dwelt extensively on just and adequate compensation in keeping with the position and increased responsibility they are asked to assume with each new promotion. Under the present system increasing authority and responsibility fail to bring with it a concomitant increase in financial remuneration. Our top-level managers see inflation increasing at a tremendous rate while their buying power is continually decreasing. To offset such a situation, they suggested the following:

1. Remove the pay "cap" and allow all executives who have "topped out" to continue to receive cost-of-living increases similar to all other Government employees.

2. Government should consider paying an annual bonus to all supergrades. Such bonus might be determined by comparing mortgage rates between old and new duty stations and paying the employee the difference.

Some other suggestions which were offered, but with less frequency than those noted above, are set forth below:

1. "As you know cost of living conditions vary from state to state which includes some states with no income tax (i.e. Florida, Tennessee, Texas, Connecticut), low property taxes and overall lesser cost of living while metropolitan areas experience higher across-the-board

costs. Consideration for higher salaries for these areas vs. areas of lesser costs."

2. "Pass legislation similar to the Soldiers and Sailors Relief Act to make it possible for the employee to avoid the tremendous cost of taxes, car registration, out-of-state college tuition, etc., that is incurred with each transfer. Active duty military personnel under the act maintain residency in one state and are not subject to income taxes where they are assigned yet their dependents are eligible for in-state tuition throughout the United States."

3. "Explore the 'home of record' concept as it may legally apply to the FBI. This concept is currently in effect in the Military service, CIA and the Postal Inspection Service, that I know of. Essentially it involves the movement, at Government expense, of a retiree from his place of last assignment to his 'home of record.' If this can be implemented in the FBI, it would most certainly relieve a lot of stress and pressure on officials who are in their early 50's, knowing that wherever they are sent in the waning years of their career, they would be sent to their home area at Government expense upon retirement."

4. "Insurance rates should be broadened to more just rates. During the last three transfers, I have had to pay an additional $100 beyond what the Government pays for insurance in order to properly insure my household goods."

5. "Storage period for household goods should be changed from a 60-day period to no specific time period or what is reasonable under the circumstances."

6. "The U. S. Government, for its management personnel who are subject to mandated transfers, should employ the same system that is widely

employed for management types in private industry. If there is a difference in the state taxes between the places of employment, the difference should be made up in the employee's check. The contrary would also be true if an employee was going from a high cost area to a low cost area - his salary should be reduced."

7. "Consideration for purchase or lease of apartment or condominium or some other suitable temporary quarters by the Bureau for use of Agents under transfer."

8. "Financial consideration for families with college students who lose residence status when forced to relocate."

9. "In some instances the move is not feasible and only the executive goes; consideration for an unlimited separate residence allowance - actual cost."

10. "It would seem appropriate that a relocation be completely underwritten by the agency regardless of the amount that relocation costs, which should include the purchase of the employee's residence at the old duty station after a reasonable time period. Certain other areas of compensation should be considered. For those who have reached the maximum, i.e., should be considered as extensions of base salary compensation."

In summarizing the various proposals set forth, one respondent noted:

> "All aspects of the plan should be designed to cause the employee to believe the Government appreciates the personal inconveniences that transfer causes and is sincerely interested in making it as smooth as possible rather than the current perception employees have

(I am going to get hurt again). It is a financial and emotional punishment and does nothing but cause the employee to feel the Government has no real interest in his situation."

SURVEY QUESTION 15

"How much time were you separated from your family last transfer? Comment on stress involved."

Of 105 respondents, 81 experienced family separation during their last transfer. The remainder experienced no family separation during their last transfer for a variety of reasons including a previous divorce and an insistence on avoiding family separation in spite of inordinate cost. The average family separation time for the 81 respondents who experienced family separation was 5.3 months.

Of 105 respondents, 23 indicated that stress was a minimal or nonexistent problem for them on their last transfer; however, many took the opportunity to recount stress-related problems on prior transfers. The remaining 82 respondents noted stress-related problems associated with their last transfers.

Set forth below are a number of case studies reflecting these problems:

1. "Twelve months - Since January, 1978, I have resided full time with my wife and three children continuously for eight months. A year on the Inspection Staff was tantamount to sustained separation. Two transfers and the delays associated with sale of houses have resulted in my wife being forced to raise

two teenagers and one other child alone for nearly three years. During the period my daughter was in a traffic accident and sustained a broken leg. I was 1500 miles away; one son broke his arm - I was 1000 miles away. I have not been available to serve as a husband and father during that period. As a result, my marriage is precarious and my relationship with my children can best be equated with that of a divorced father."

2. "Five months - The stress on a family with long periods of separation and financial worries are incalculable. My family has required professional help as a result."

3. "Six months and four months plus - At the time of my prior transfer I was separated for six months and the stress was almost intolerable. It came close to destroying my marriage. Only the telephone saved many small, bad situations from developing into one large crisis. At the present time, I have been separated for almost five months and anticipate another eight months without the family. Once again the stress is very strong; however, there are no adverse effects on our family life as of this date. The stress comes from a significant financial problem in that our resources are once again being drained and there seems to be no way to recoup our financial losses. Three children will enter college beginning August 1981 (thru 1984), and there is very little in savings to support three children in college at one time. This is what is causing a great amount of stress in our family life at this time. In conclusion - as a GS 16 in 1980, I am saving nothing with several debts. At the same time, my standard of living has not increased or been upgraded and the financial stress factor has risen considerably."

4. "Six months - This was the largest single factor that led to my divorce, although it

was not by any means the only one. My ex-wife and I never recovered financially or emotionally from this separation."

5. "Four months - Cross country separation which precluded more than one visit-three children (13, 12, 11). Wife had all three with her during the entire summer vacation period thus offering her virtually no let up from their presence, problems, demands, etc. While at the same time being obligated to keep the house clean and orderly in effort to sell.

6. "Nine months - While the separation from my family during the last transfer was not as long as many others in similar situations, with children who are contemplating the entrance into college my participation in discussions concerning the selection process were severly restricted. In addition, there was much consternation and contingency plans made due to the extremely unpredictable real estate market and tight money market at the time of my transfer."

7. "Four months - During these four months, my wife was uneasy at prospect of staying alone for an extended length of time. Son experienced learning disability and had psychological sessions to improve interaction socially with peers. Further, two elementary school daughters were extremely unhappy with prospect of losing friends and not seeing father for long periods at a time. Two residences being maintained for that time period caused worries and concerns about finances. Annual leave had to be used during move rather than for vacation or recreation purposes. Wife left to handle many details of the move, including coordination with moving company, packers, etc. Move in 1980, represented third school attended by children during past three years."

8. "Needless to say, there was tremendous stress and much lost time at work. Financial worries doubled and emotional concerns left scars with family that will be difficult to erase."

9. "Stress is tremendous, especially in the areas of financial management, physical maintenance of home, child discipline and other family-oriented matters."

10. "I would like to introduce in this question, my wife's impressions and feelings. The problems of having husbands away from family four months at a time, the financial strain of owning two homes, the loss of friends which were formed from four to six months, the strain of children to change schools once a year, the lack of continued community and school spirit, the tremendous sense of disorientation, the continuous strain of impending future moves, and the long working hours of Agents create a fantastic amount of strain. To experience all of the above and then the ultimate insult to have to pay for many of the expenses entailed in a move for the benefit of the Government without a raise in pay, places additional stress on the family. Without outside income, it would be impossible to keep your head above water financially in high cost areas."

SURVEY QUESTION 16

"Many things enter into a decision to seek administrative advancement and attain a supergrade position. Rank order the most important items to you personally:

> i.e., location of assignment, salary,
> post retirement job availability,
> status, title, responsibility,
> position, ego, retirement benefits,
> career goals, fewer moves,
> family stability."

Because of a multiplicity of answers given by respondents, which in most cases meant substantially the same thing, some liberty was taken by the surveyor to produce the following result.

Of 104 respondents who addressed this topic 99(95 percent) mentioned responsibility, while 80(77 percent) mentioned salary. Where responsibility and salary were mentioned together, 63(83percent) ranked responsibility more important than salary; 13(17 percent) reversed the order. Five(5 percent) mentioned salary or salary-related items such as retirement as the only thing of personal importance. Sixteen(15 percent) mentioned responsibility or responsibility-related items as being of sole importance.

SURVEY QUESTION 17

"In your opinion, which would be a more rational and equitable pay level - indicate what salary level the pay "CAP" should be raised to?

To 55,000 To 60,000 To 65,000 To 70,000"

Set forth below is a table illustrating the results of this survey.

PROPOSED "PAY "CAP"	RESPONSES	PERCENT OF TOTAL RESPONSES
$55,000	1	1
60,000	6	6
65,000	33	32
70,000	62	61
No response	3	
	105	100.00

As can be readily seen, the majority of respondents favored raising the ceiling cap to $70,000.

One respondent favoring such a move set forth the following table reflective of how the pay cap ought to be keeping pace with the Consumer Price Index. Such a chart assumes that the 1977 pay cap of 47,500 was equitable.

"YEAR	RATE	CONSUMER PRICE INDEX	NEW RATE AT END OF YEAR
1977	47,500	6.5%	50,587.50
1978	50,587	7.7%	54,482.20
1979	54,482	11.3%	60,638.47
1981	60,638	13.4% (est)	68,763.49
1981	68,763	10 % (est)	75,639.30

In other words, we will need the $70,000 just to stay even with the 77 cap. This pay cap should be adjusted for COL each year when lesser-grade employees receive their raises."

Survey Question 18

"Assume there are no changes in the salary situation (pay cap is not lifted). What would be the impact? Personally to you? How would the FBI be affected as an organization?"

Of 105 respondents, 44 said they planned to retire as soon as eligible because of the pay cap; 6 said they planned to quit immediately if they were given a better offer; 43 did not mention early retirement but commented unfavorably on the pay cap; and the remaining 12 said they were so committed to the Bureau they planned to stay with the Bureau no matter what happens vis-a-vis the pay cap.

Set forth below are some specific examples of responses received:

1. "If there are no changes in the salary situation, I will retire promptly when I reach 50. I just will not be able to afford to stay on as I will still have two children in college and I will not stand by and see my family continue to suffer.

   If all financial disincentive for striving to reach top management levels is not removed and if, in fact, one is penalized financially for having endured the hardships necessary to reach the upper levels, the quality of the top people in the future will surely decline."

2. "Failure to lift the pay cap will virtually insure my departure from the FBI at age 50 or shortly thereafter. Organizationally it would:

   1. Discourage many capable Agents from seeking a management position, thereby depriving the organization of potential quality managers.

   2. Cause many productive supergrade employees to leave as soon as possible, thereby depriving the organization of their skills and knowledge."

3. "In addition to the normal factors we have seen throughout the Government recently and understandably for different reasons, a mass exodus of those eligible for this is due undoubtedly, in part, to the fact those in the higher grades see little incentive to continue when they are, in fact, making no more money than those several grades lower.

   From the standpoint of those in the lower grades, there is no financial incentive to take on the added responsibilities and 'aggravation' of additional relocations in connection with administrative advancement. At the present time, I face a little over ten years under the present system with little prospect for financial involvement so long as there is such a low 'cap'. In the long haul, the FBI as a specific organization and the Government as a whole are not going to be able to attract the best personnel to accept positions of responsibility if there are no changes in the salary situation which presently exists."

4. " The impact to the FBI concerning the salary cap and lack of proper reimbursement for transfer expenses will in my opinion be disastrous for the FBI a few years from now. These problems are well known by all Agents throughout the FBI. We currently have a good group of supervisors. However, every office in the FBI is now experiencing problems encouraging qualified Agents to enter the Career Development Program and keeping those

in the program who are currently serving in supervisory positions. They are well aware from stories such as mine what faces them if we, in current leadership positions, are not able to reverse these procedures. It is my opinion that the impact will be felt most by the Bureau some three to five years from now when our potential candidates begin to run out. Insofar as to what it means to me personally, I will be eligible to retire in December, 1982, two years from now, even though under the current retirement system I could stay until 1987.

The current problems guarantee my retirement two years from now. That will be against my wishes as I thoroughly enjoy my position and have no desire to leave the FBI, but I have no choice. It is not possible in my individual circumstances to aid me materially for my past losses related to transfers and I do not anticipate that the salary cap will be raised sufficiently to overcome the salary which my wife now has from her employment.

5. "Another transfer without increased benefits and an increase in salary would be a financial catastrophe as related to my personal situation. Additionally, if the housing and money markets worsen, the prospect of maintaining two households is financially unworkable.

With the mandatory retirement, executives in the FBI are attaining high-level, responsible positions at an early age. Without an increase in financial benefits, both in salary and transfer benefits, I believe that we will see a loss of those who are already in the Career Development Program by taking advantage of lucrative job offers prior to reaching retirement age. There has been over the years an extremely tight bond of all FBI employees in their loyalty and dedication to the job. However, with worsening economic trends, I believe there will be a waning of this loyalty. Additionally, the impact can already be seen of many young, talented Agents with tremendous potential who are reluctant to subject themselves to transfers when they can see that there is no financial benefit, and many even see it as financial suicide to engage in the Career Development Program."

6. "I have been fortunate to reach the supergrade status at a relatively young age and with a minimum of adverse impact on the stability of my family. However, the present salary cap is now the primary demotivator in my present position. Unless appropriate relief in the form of increased monetary compensation is received within the next year, I am convinced that our ability to replenish our executive ranks will be seriously impaired. If this monetary relief is not forthcoming, it will have the result of promoting employees who are either financially independent or employees bordering on advanced senility. If this situation remains static and is coupled with the financially disastrous transfers, we will have not only a massive 'bail out' from the supergrade structure, but a career development path which is pure folly."

7. "If the present salary structure of executive pay is not changed, I believe all incentive will be taken out of the Career Development Program. It is extremely difficult to attempt to persuade Agents who have demonstrated administrative advancement ability to get into the Career Development Program when they observe GS-13s being paid very closely to the level of a GS-17, especially when GS-13s are not transferred and do not go through all of the emotional stress and financial loss that higher executives are required to do with no measurable reimbursement for these inconveniences."

8. "Impact - fewer Agents will enter the program. As an ASAC, I had an Agent ask out of the program. I convinced him to stay. A week later he showed me a comparative financial statement of transfer vs. no transfer. He had called the D. C., area determined the tax structure, transportation cost, tuition for his parochial school children, mortgage rates, etc. The bottom line with a promotion from GS-13 to GS-14 was

a spendable income loss of $212 per paycheck. This was in addition to a year's wait to get his children into parochial school. Because of the seeming stupidity in advancing administratively, there is a lessening of respect shown by the brick Agent to the SAC."

9. "Since I am currently 44 years old and have at least six years to possible retirement, a change in the pay cap would have little immediate affect. At retirement time, however, it would well be the deciding factor between retiring and staying on. Should the pay cap remain in effect for a protracted period of time, it will have the effect of virtually everyone retiring at age 50. In my opinion, this would damage substantially the experience level of the Bureau."

10. "Most of our competent managers will retire at age 50. Many in their early 40's will have to consider taking positions in the private sector and leaving the Bureau prior to age 50 in order to cope with inflation, cost of college-age children, and desire to stop living like a gypsy.

The most qualified potential leaders are also the most astute. The hardships on one's family, emotionally and economically, will discourage the future leaders.

I feel all who will aspire to top positions, if given an option, will be those who are doing it strictly for ego or status seekers. This is not what an organization needs to be successful."

11. "I have had one 5½ percent raise in the past three years. During the same time, inflation has increased about 35 percent. My wife has gone back to work to make up the difference."

12. "The immediate impact would not be traumatic, as I have nearly 20 years with the FBI and will probably try to 'ride it out'. However, the financial impact would be severe and would require, as a result of the

most recent transfer, a significant scaling down in my style of living. The psychological impact of 'no change' would be more difficult to measure or predict, and its effect on the performance, effectiveness and efficiency of the FBI leadership core over a long period would undoubtedly be detrimental. As those in the working levels and mid-level management observe the negative impact 'no change' would have on supergrades, the FBI would have to suffer as an organization."

Survey Question 19

"Consider your expectations about administrative advancement when you entered the current program. Comment if those expectations have changed as a result of the financial hardship. Be specific as to those items that have caused a possible change in your expectations."

In responding to this question, the majority of respondents indicated that their expectations concerning administrative advancement have not altered appreciably. They entered into the Career Development Program knowing that it would entail personal sacrifice and that a certain amount of movement would be required. Being willing to accept these conditions, however, they also expected that they would be compensated in keeping with their ever-increasing responsibilities. What they did not expect was ever-increasing financial hardships, a reduced standard of living, an inflationary rate that has far exceeded any compensation received, and a burden on their family lives.

Set forth below are some specific examples of responses received:

1. "I believe that everyone in Grades 16, 17 and 18 must bear some resentment toward the present pay structure when they see persons with less responsibility, time in the service, fewer transfers and lower house payments making the same amount of money without having suffered the same hardships. I cannot help but

believe that the expectations of all of us who have reached these levels have been dampened by the fact that we are not paid at a level commensurate with the responsibility. The lack of financial reward certainly has to have caused severe hardship to any number of very capable people and the lack of future salary increases must raise doubts about continuing in the Career Development Program. It is simply not equitable for a GS-14, Step 6 Special Agent supervisor or Supervisory Resident Agent, to receive the same salary as an Executive Assistant Director. Prestige, authority, job situation and other rewards cannot make up the total lack of financial balance of the Career Development program."

2. "My expectations have changed to the extent that on more than one occasion I have seriously considered options out of the program. The financial hardships incurred and trauma undergone by my family on relocation make one wonder if it is worth it."

3. "Administrative advancement is supposed to be a way to earn more money for assuming more responsibilities. As it now operates, the reverse is true. There is minimal initial, direct gain in reimbursement, offset by financial hardship in costs associated with transfer. In the latter stages there is no direct gain and more financial hardship from unreimbursed costs of moving and higher mortgage rates. My expectations have changed to the point of perceiving further participation in 'administrative advancement' as a prescription for financial ruin."

4. "Because of financial hardships experienced as a result of being in the administrative advancement program, along with family stresses, there is absolutely no way I would in retrospect reenter the administrative advancement program. If individuals in the career development path are not compensated for all the executive hardships they can be expected to endure, there is no use being in the program. It is well known that persons not in the Career Development Program, for example, have achieved much better financial status because of the state of permanence."

5. "I realized when entering administrative advancement that if successful to the point of attaining the position of SAC or ADIC, that a certain number of transfers would be necessary. I did not at all anticipate as many as have come my way. I realized that with transfers certain expenses would have to be met by me, and I anticipate that as I move through various GS levels that even though I am not taking home as much money in my current assignment as my counterpart in Kansas City of Albuquerque, etc., I would not be experiencing a loss to any degree. Consequently, my expectations on entering administrative advancement did not really contain the salary factor. I note that in answering Item 17, I now rank salary as the second most important item today and I expect it is equally rated with the first item. An Agent's salary, whether he is in a supervisory position or investigator, should be such so that he could at least view himself as 'comfortable.' He might have to budget and take normal precautions to plan expenditures of his income but at least he knows he has enough to meet normal expectations. This was the attraction to many people desiring to become Agents and always enabled us to interest qualified applicants. We have reached today the point where many police departments pay as much or more to their police officers as we pay to our Agents. To date, we have no problems in still attracting highly qualified applicants but as these problems spread through Government, they will be disastrous. It is my opinion we will lose applicants eventually. So in summary, my expectations about administrative advancement did not concern me except in a general way wherein I realized that I would probably be making a better retirement and, hopefully, would get grade raises. Currently, the salary problem is uppermost in the mind of every FBI Agent who might be interested in the Career Development Program. In truth, most of us would be satisfied if only we could be assured that in career development we would not lose money."

6. "Five years ago I believed promotion, transfer and increased standard of living were compatible. With inflation rampant in our economy, transfer and increased standard of living are virtually mutually exclusive

under current salary compensation schedules."

7. "I have always felt that financial remuneration would be commensurate with the degree of responsibility assumed."

8. "My financial expectations with regard to administrative advancement included reasonably inflation and educational obligations as they relate to my children. However, at the time I entered into the Career Development Program, I anticipated that the Federal Government would keep pace with the private sector within reason as far as salary increases and benefits to offset expenses incurred in connection with relocating at the request of the Government. It is becoming a shocking reality to me that this is not the case. There is currently no financial motivation for administrative advancement - in fact, it is a negative factor. This is further evidenced by the fact that many of our key executives are retiring at the earliest possible age in order to supplement their income with full-time post-retirement jobs."

9. "Pay compression has created a disincentive to be involved. More importantly, the eroding quality of living standard my family must accept with each additional transfer has forced me to reconsider my position and personal interest."

10. "Very simply, because transfers are so emotionally and financially devastating as they are now carried out, it is most difficult to find an advantage to administrative advancement. While I am in full agreement with rotation to and from the field to fill administrative slots, such should not and cannot be allowed to penalize those who advance."

11. "I shall do everything possible to keep from moving again. I have a difficult time explaining to my family how a 'big' promotion is going to substantially lower their standard of living."

12. "My expectations have changed very little but the stress on my family caused by moves and resulting

financial hardship cause me to more frequently ask the question, 'Is it worth it?' This is aggravated by exposure at FBIHQ to my peers who have been promoted without transfers and who appear to be financially sound."

13. 'When I entered a previously existing CDP, I expected several moves in connection with administrative advancement. The program has changed somewhat in the interim; however, my moves have been basically, in number, what I expected. I did not expect, however, the intervening high increase in inflation and high interest rates. Initially, my expectations were to seek administrative advancement for various reasons, one of which would have been to obtain a substantially higher salary than those individuals who chose to remain in their investigative capacity with less responsibility. I find now that those who have chosen to 'stay where they are' undoubtedly are better off financially then I undoubtedly ever will be."

14. "The expectations of administrative advancement have changed so radically since I first entered the program that, could I turn back the clock, knowing what I know now and perceiving no change in the immediate future, I would not enter the program. Transfers occur more frequently and with more financial hardship attached than was the case when I initially entered the program. Family solidarity is disturbed because of the severe economic conditions surrounding relocattions today. As one's career advances, so do the ages of children involved and their needs become more critical. Stability in assignment and vertical promotion without transfer as much as possible are required to offset this."

15. "If I knew when I entered the program what I now know in terms of personal and financial hardships which have resulted from transfers and the pay lid, hardships which are in excess of what are normally encountered and which can reasonably be expected, I would in all probability not have entered the program."